



1st Annual Pensión Conference

Building Gold Standard for Private Pensions

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Economic Policy Centre

Pensions and Intergenerational Equity

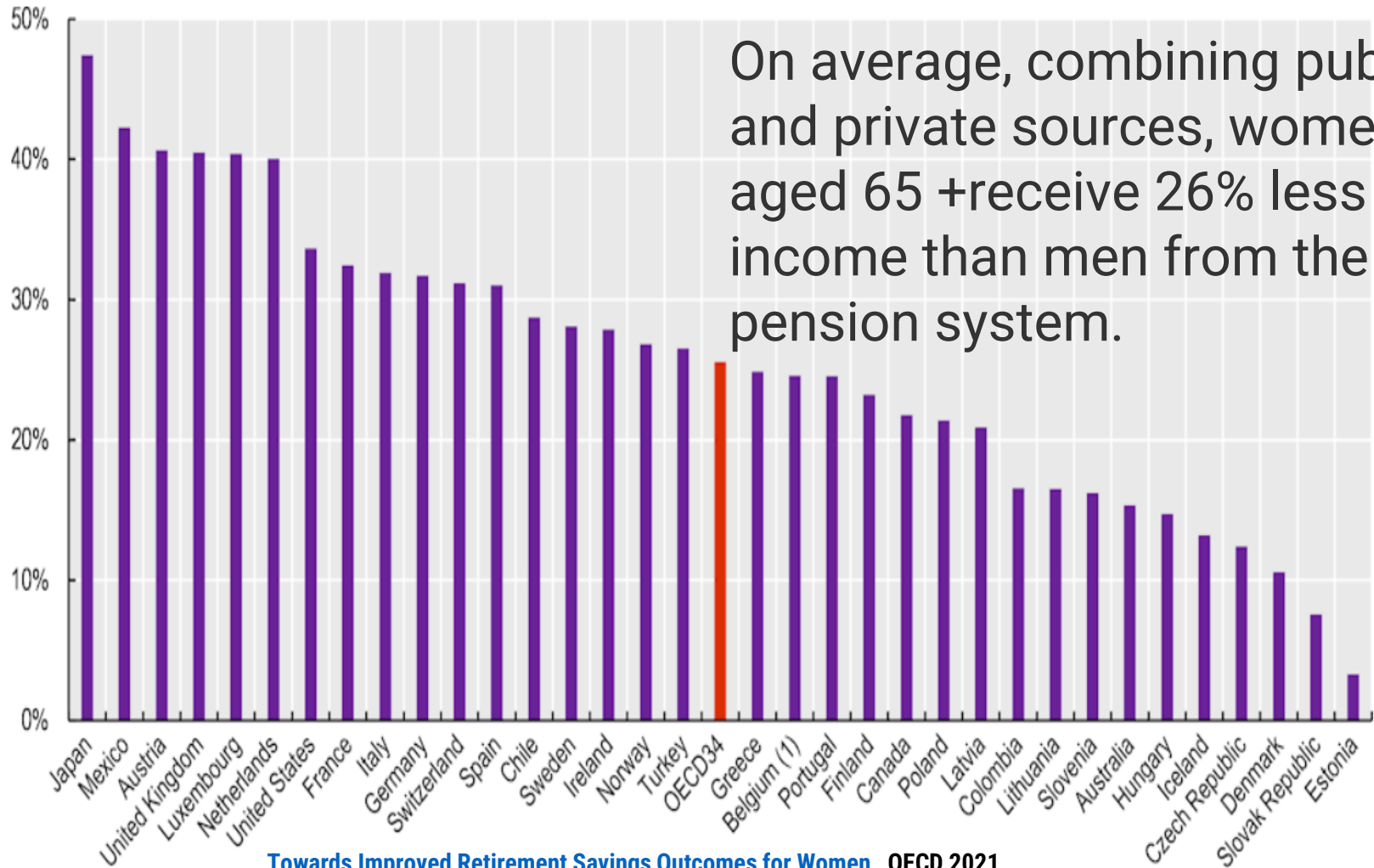
What does the unique New Zealand approach to pensions policy offer women?

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Figure 1.1. **Gender gap in pensions in selected OECD countries, latest year available**

Relative difference between men and women aged 65+ (among pension beneficiaries)



The gender pensions gap

Reflects both

- past work history differences between men and women.

(lower wage rates, more part-time, time out for caregiving, divorce, sole parenthood)

AND

- **Pensions policy design.**

Traditional pensions have not served women well.

New Zealand's very simple approach has critical design features that are good for women

New Zealand



- Small country of 5.2 million
- Diverse ethnicities
- Dependent on primary exports and tourism
- Currently struggling with aftermath of Covid lockdowns, natural disasters

Pensions

- The 'Antipodean' model of pensions contrasts to standard European models: no state earning-related tier.

(But New Zealand is also very different to Australia)

New Zealand's pensions policy

- New Zealand Superannuation

A first-tier basic universal pension

Supplemented by

- KiwiSaver

The world's first *auto-enrolment scheme*



New Zealand Superannuation

- Universal, flat rate, non-contributory pension.
Coverage 95+% of those 65+

Category	Fortnight gross \$NZ	Fortnight Net \$NZ	Fortnight Euro
Living alone	1157	993	546
sharing	1064	916	504
Married person	879	764	420

- Those on top tax rate (39%) still receive 70% of the net pension of those with no other income.
- Residency 10 years. (Rises gradually to 20 years 2024-2042)



Winter energy payment
Free public transport

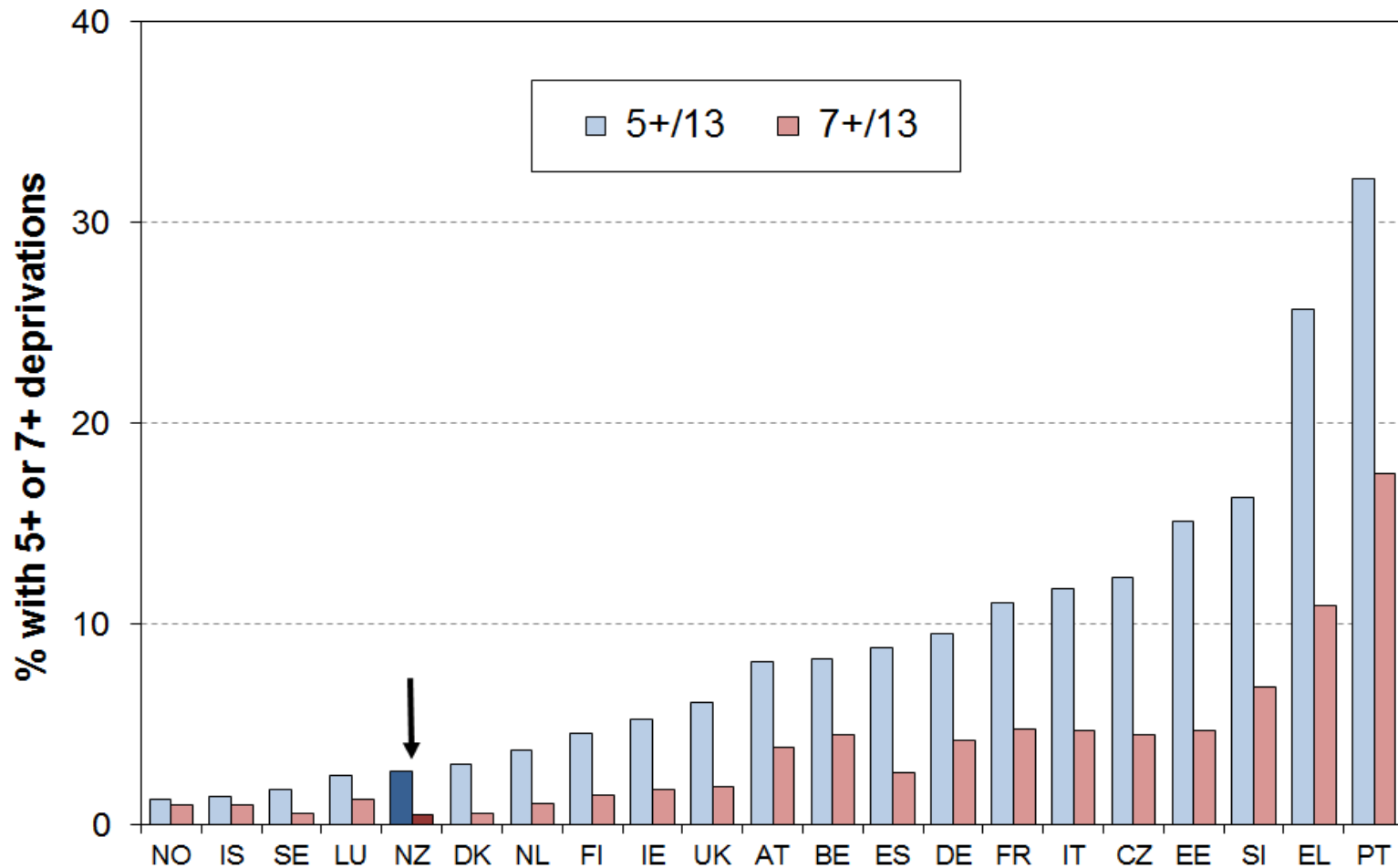
Rare political accord



Very little discussion in coming election about the design and cost of the state pension.

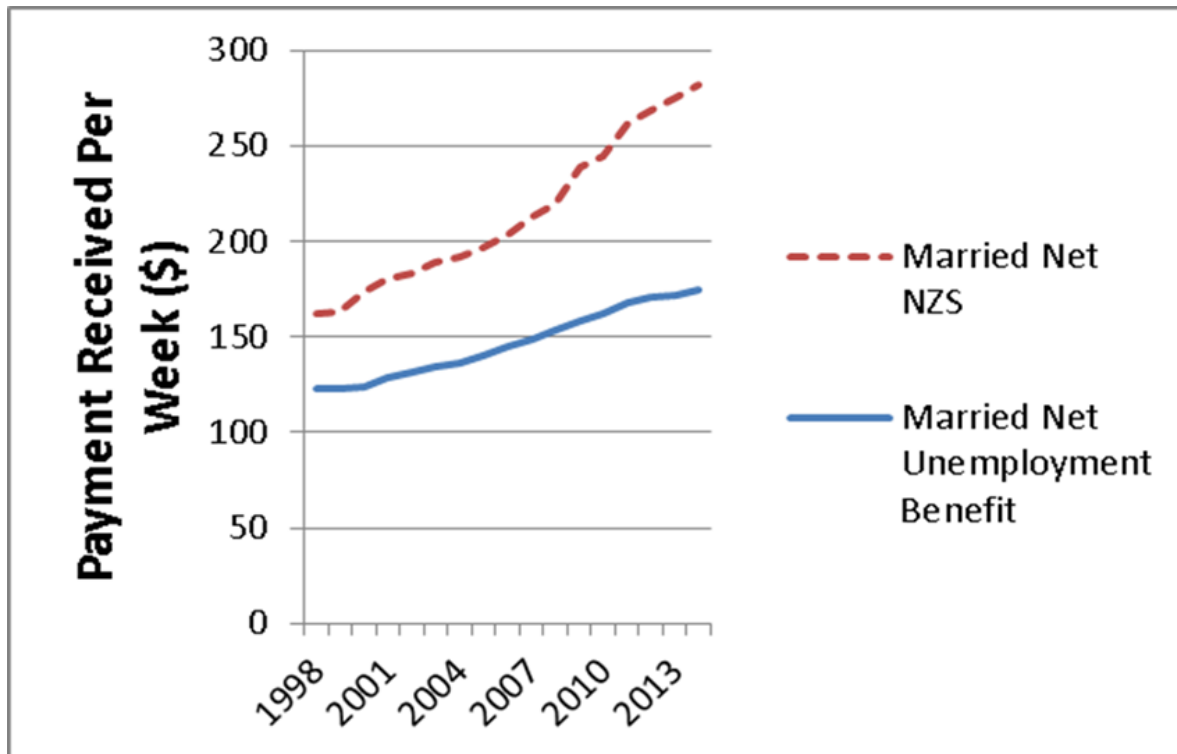
VERY low rates of elder poverty

Material deprivation rates (% with 5+ and 7+ enforced lacks), EU-13, those aged 65+



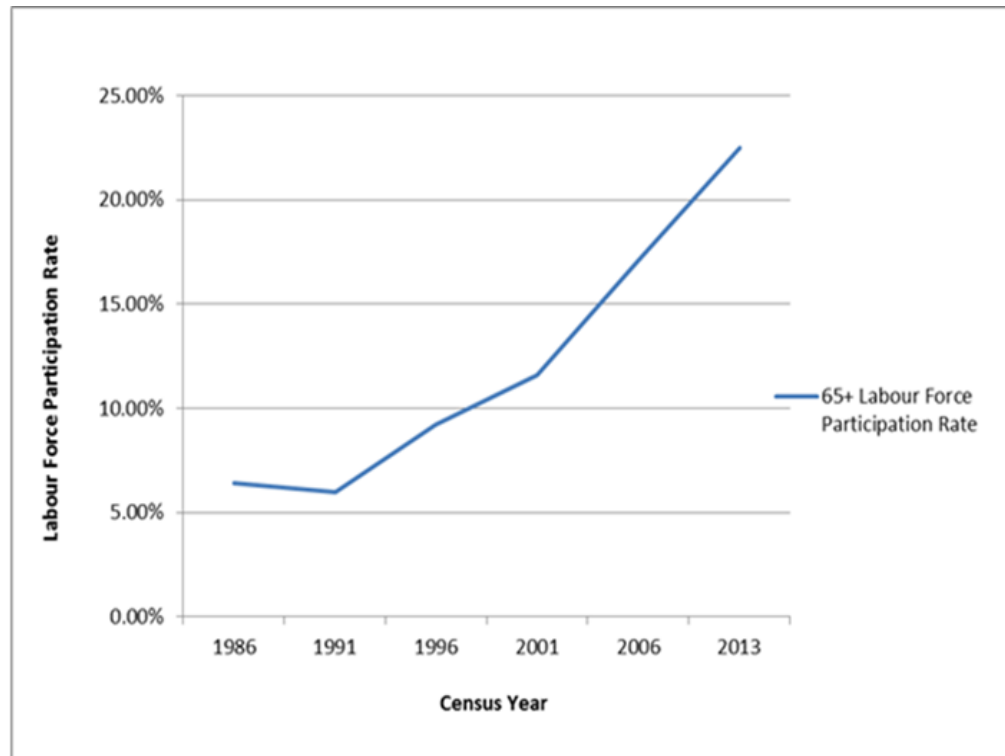
NZ Superannuation is good for women

- It is wage linked so that it can never fall below 33% of the net average wage for a married person
 - Implicitly acknowledges unpaid work
 - Helps address older women's poverty



No disincentive to earn among 65+

- Prototype of a basic income
- Facilitates choice ie voluntary caregiving
- High and growing labour force participation of 65+ now 25%. Women more likely to be part-time



Why was KiwiSaver necessary?

Late 1980s

- Private tax advantaged schemes were seen to benefit primarily male, long service, high paid company employees.

• Early 1990s

- All tax incentives for private pensions were removed
- All saving for retirement treated like saving in a bank account (TTE)
- Public sector DB schemes were closed to new members

• By 2000s

- Coverage through private employment schemes (DC and DB) had fallen to about 14% of the workforce
- Replacement rate of state pension on its own too low for middle income people

2007 KiwiSaver supplements the state pension



- **Auto-enrolment for workers aged 18-65 with opt-out possible**
- **Requires 3% employee, 3% employer contributions**
- **Not just a work-based scheme**
- **Branding is very successful**

Today KiwiSaver is supplanting other schemes and covers round 70% of the working age population - equal numbers of male and female

KiwiSaver's well-designed framework

Each KiwiSaver has their own IRD number as unique identifier,

Employers

Send employee and employer contributions to

The Inland Revenue Department

Central clearing house sends to

Employee's own Private KiwiSaver Provider

39 schemes, wide investment choice

Can accept contributions directly

Government

Pays small 'sweetener' of 50% of first NZ\$1000 contributed

Oversight by Regulator

Financial Markets Authority

Independent reporting and policy advice

Retirement Commissioner

3 yearly retirement policy review

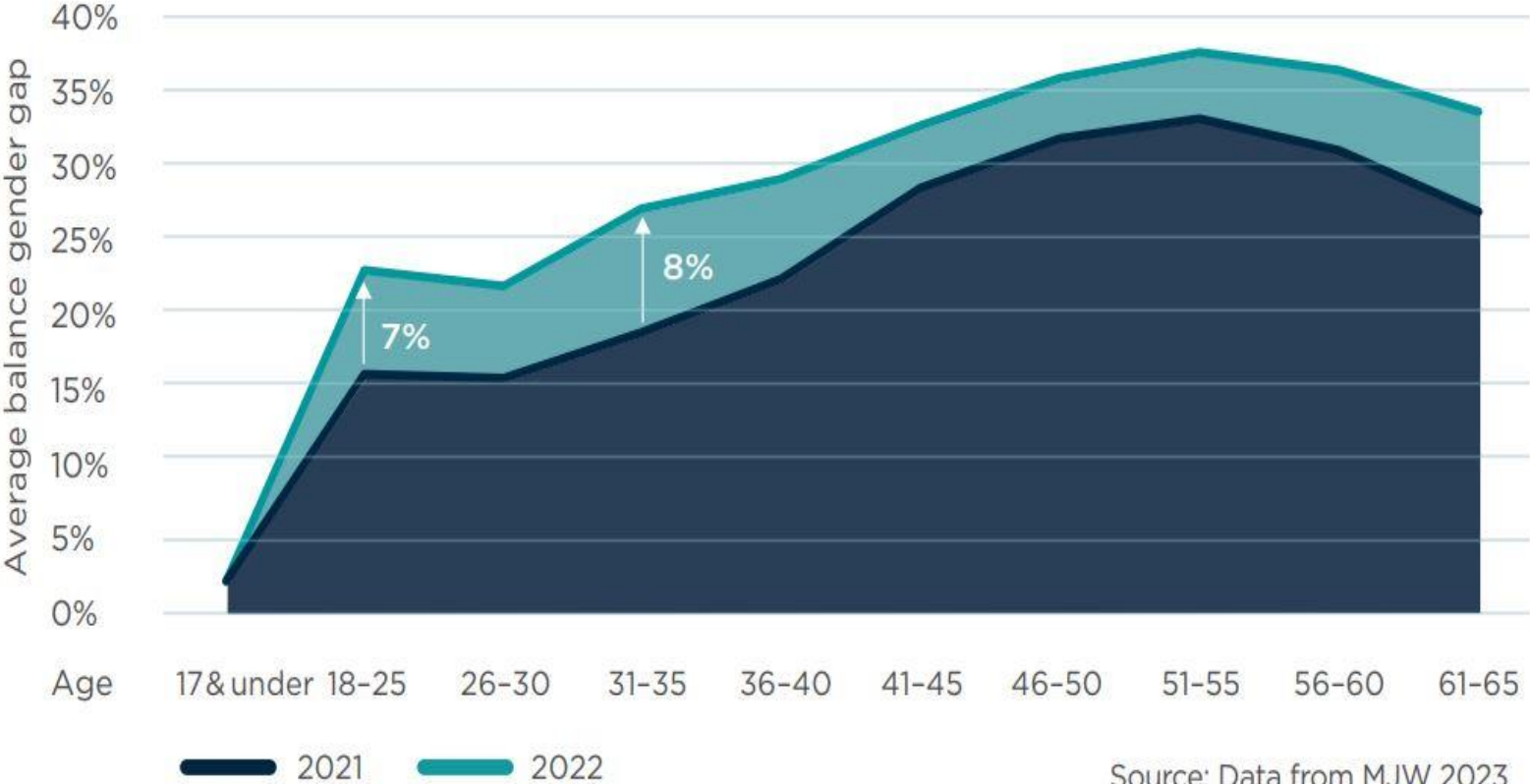
actively promotes financial literacy

Why KiwiSaver is good for women

- Many aspects are good regardless of gender
 - Very inclusive
 - One pension pot
 - Vehicle for promoting financial literacy
- Women friendly specifics
 - No younger age barrier. Auto-enrolment at 18 (cf Ireland 23)
 - No minimum earnings barrier (cf Uk and Ireland)
 - Is not just an employer scheme
 - Caregiving starting to be acknowledged in small policy changes. Eg the government will now match 3% contributions of those on state paid parental leave

BUT KiwiSaver gender gaps are significant and have increased

Figure 2 - KiwiSaver average balance gender gap 2022 compared to 2021

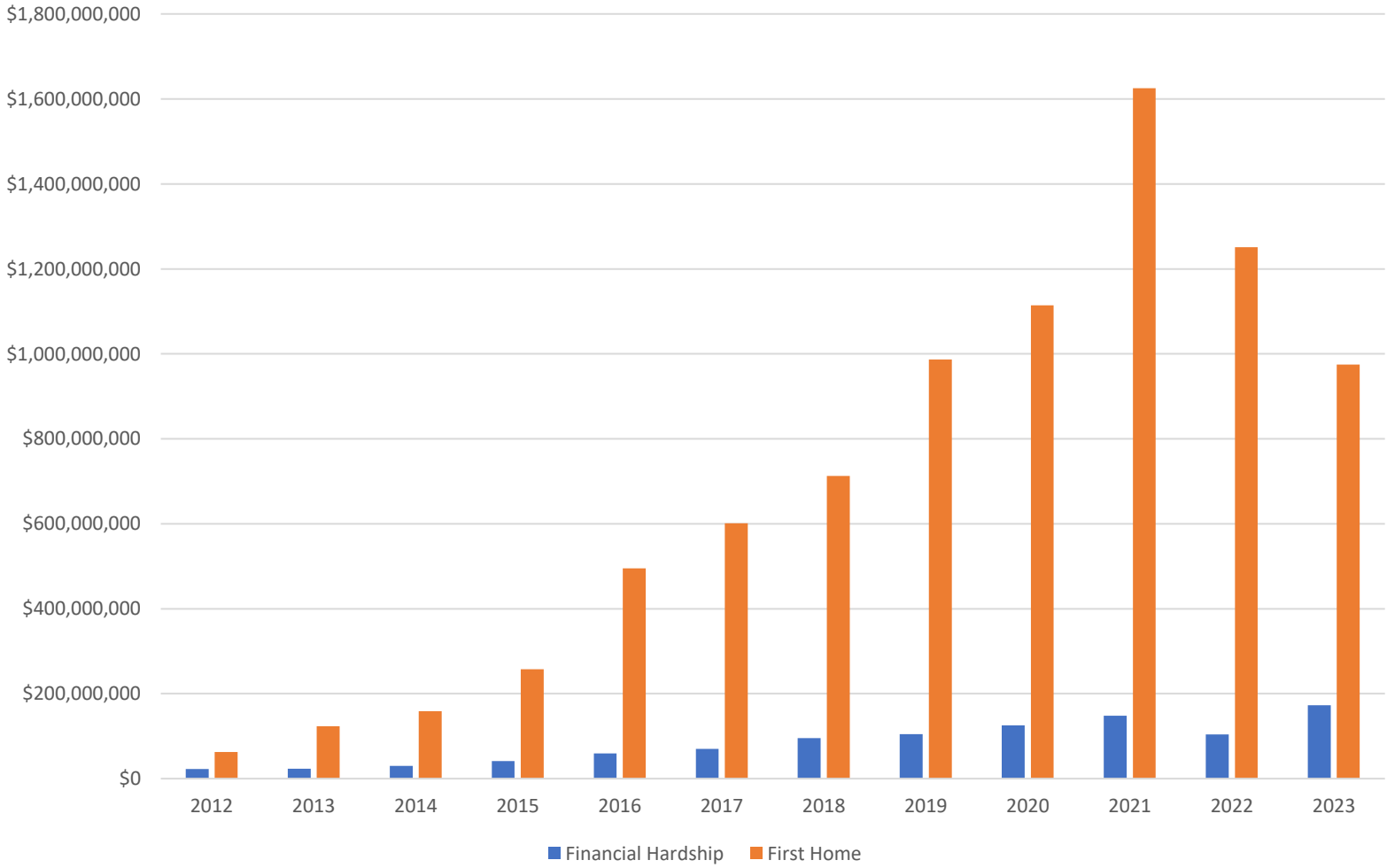


Source: Data from MJW 2023

The average balance for a male is 25% higher than the average balance for a female, a gap of \$6,352 (was \$5,492 or 20% in 2021)

Withdrawals for housing may set back women's KiwiSavers

Chart Title



In hard times women may be more likely to stop contributing

- They then forego the 3% of extra wages that the employer pays.

Solution

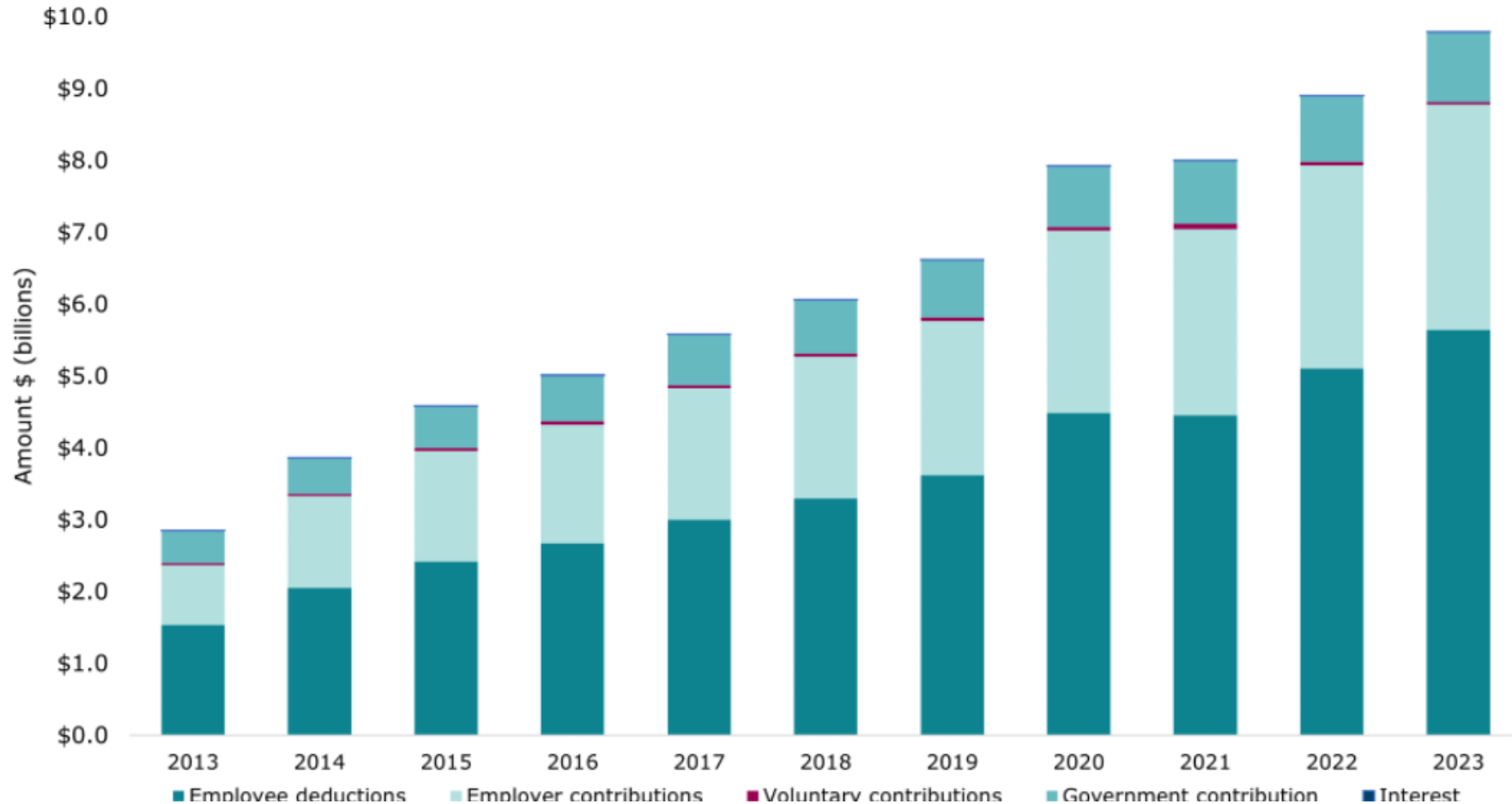
- Make the employer contribution apply even if the KiwiSaver is on a **savings suspension**

Also

- allow all KiwiSavers to access subsidies for 47 years. ie not stop at age 65

Could a well-designed subsidy assist women's participation?

Payments to scheme providers, by category as at 30 June



Initial Kickstart of \$1000 was good for women

Lack of attention to decumulation affects women

Need to keep the eye on the purpose

To supplement **income** for the majority of low /middle income people

- Lumpsums may be quickly dissipated
- With no intervention under the 'pure' New Zealand approach **private annuity markets** disappear
- Women live longer on average
- Opportunity now to design a subsidised but **limited default gender neutral** annuity, maybe with long-term care insurance

New Zealand has unique chance to get this product right