Pressure points in our policies – facing up to the ageing population

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35 years ago


Tempus fugit
Budget 2021 & Budget 2000 projections of New Zealand Superannuation expenditure to GDP

Projection starts in 2004/05 for Budget 2000

Budget 2021
Budget 2000
Actual & Forecast
Projection

Year ended 30 June
2021 projections. Are the concerns allayed?

Looks like

• Relatively settled policies for NZ Super and for KiwiSaver?
• Little commentary on rising net NZS costs:
  
  2010........3.5% of GDP
  2060........6.3% of GDP

• But an ageing population pushes up health spending
• And we are in the sweet spot of the baby boom retirement.
  
  From 2030 babyboomers move into the 85+ group.
• Not just about statistics
• Our future depends on the young. We have a stewardship role to the next generation
• The future for older people and young are intertwined
Sharing the GDP pie

- 2010: 5 working age: 1 retired
- 2050: 5 working age: 2 retired

is growth of GDP going to make this less painful?
What will be in the GDP PIE

• Will there be secure housing for all?
• Do we have the health services, old age care nursing
• Well designed cities?
• Are we retaining and nurturing young skilled people
  • Their education
  • Their housing
  • Their health
Must view the pressures of ageing in the context of today’s pressures

• High inequality
• Intractable child poverty
• Homelessness
• Climate change
• Infrastructure demands
• Housing market
• Health system on its knees
• COVID pandemic long term consequences

Elderly residents living in regional and rural New Zealand are losing critical services as the exodus of nurses worsens. There are currently 900 nurse vacancies just in aged residential care - that's a 20 percent shortfall in the workforce. [RNZ 6th August]
SORRY, KIDS. BUT WE DON'T WANT TO deflate THE ECONOMY RIGHT NOW.

CAPITAL GAINS
Housing Register
Increasing misery and despair

<table>
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<tr>
<th>Month</th>
<th>Count</th>
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<td>Mar 2021</td>
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<tr>
<td>Dec 2020</td>
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<td>Sep 2020</td>
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<td>Jun 2020</td>
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<td>Mar 2018</td>
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19% over 55

5%  
Change from last quarter  
(5% December 2020)

45%  
Change from last year  
(51% March 2020)
Two tasks for an ageing population:
* make sure our GDP PIE is made up of the right things
* make sure older people have access to fair share

- Is NZ super enough and when is it too much?
- Is it sustainable to pay NZS to those who truly do not need it?
- Competition for the budget dollar is clear-trade-offs are made

"A $50 per week increase to main benefits would roughly double the reductions in child poverty on the before-housing-cost primary measure relative to a $25 per week increase."

But because of the hefty price tag, officials warned there would be trade-offs with other spending priorities and implications for financial incentives to study and work."
Will the NZ Super fund save the day?

- We will get almost nothing from it until 2055
- At the very best by 2200 it will pay for only 11% of net NZS
- **But** it doesn’t reduce the cost of NZS, only changes the financing of it (less from current taxes and more from NZSF pot)
  - Spending from the NZSF is money not spent on other valuable things
- Does it make the GDP pie grow?
- Paying into it today means less for the young
- Has it become an unquestioned sacred cow?
The NZ Super fund is greatly misunderstood

NZSF does not reduce pressures on real resources - not even post 2055 - may make them worse.

It may give the false impression that NZS does not have to change
Conclusion

“Small and gradual changes in the near-term could help minimise the cost of fiscal pressures across generations, preventing higher debt and a larger, relatively more costly adjustment in the future.

(\textit{The Treasury, 2021, p6})