THE UNIVERSITY OF AUCKLAND
Te Whare Wānanga o Tāmaki Makaurau
NEW ZEALAND

RETIREMENT POLICY
AND RESEARCH CENTRE

RPRC Update

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RPRC Collaboration Workshop 30 Oct 2017: 'Silver tsunami or golden years: Innovative solutions for ageing communities

As with most other western countries, markedly reduced fertility and increased longevity mean that New Zealand's population is ageing. The change is profound, permanent and rapid, as the baby boomers move into the 65+ age group (between 2011 and 2037). Statistics New Zealand's latest projections show that by 2039 the numbers aged 65+ will reach around 1.3 million, 22-25% of the population.

Increasing longevity is exacerbating the demographic change. In 1950, New Zealanders reaching age 65 lived, on average, another 14 years. Those reaching age 65 in 2013 can expect to live, on average, another 22 years. By 2061, about one in four people aged over 65 will be 85+, compared with one in eight in 2012 (Statistics New Zealand 2014), and the requirement for long term care to assist with declining health, particularly mental health and dementia, rises sharply for those living past 85 years of age (Ministry of Health 2015).

The incorporation of new technologies into the fields of health and social care is already a worldwide phenomenon, with great potential to contribute to in-home and institutional care for the elderly. There are also exciting possibilities for specialist care and provision of support in purpose-built environments ranging from self-contained dementia villages like Rotorua's Whare Aroha Care (based on Netherlands' Hogeweyk), to Abbeyfield models of supported living, retirement villages, and rest homes.

But the vast majority of those aged 65+ live independently and do so usually for more than ten years. Thus, developing environments responsive to the aspirations of older people has been a major concern for social and public policy in most countries. In 2007, the World Health Organization, in collaboration with partners in 35 cities from developed and developing countries, prepared the Global Age-Friendly Cities Guide to engage cities to become more age-friendly, and to tap the potential that older people represent for humanity. Physical accessibility, service proximity, security, affordability, and inclusiveness were recognised as important characteristics.

The Business School is uniquely placed to spearhead discussion around innovations in aged care, social policy, use of big data, and facilitating an environment better suited to an older population. The Workshop organising committee was comprised of Dr Claire Dale and Associate Professor Susan St John, RPRC; Professor David Sundaram, ISOM; and Professor Paul Rouse, Accounting and Finance. The workshop was attended by representatives from the Business School; Engineering; Māori and Pacific Development; School of Counselling, Human Services and Social Work; Population Health; Medical and Health Sciences, and Social Sciences as well as representatives from Age Concern and District Health Boards.

A brainstorming session facilitated by Associate Professor Christine Woods, MIB, scoped the issues and ideas, and was followed by a discussion exploring a conference in late 2018. An organising committee for the 2018 conference was formed by volunteers.

Contents

A pathway toward financial inclusion and improved wellbeing

M. Claire Dale and Erwann Sbai, for the Centre for Applied Research in Economics, have released the External Evaluation 2016 of Ngā Tangata Microfinance.

Ngā Tangata Microfinance (NTM) loans were launched in 2011 to contribute to social justice by providing a safe, fair, affordable credit option to low income families, and a pathway to financial and social inclusion. With loan capital provided by Kiwibank, NTM offers a NILS® (No Interest Loan Scheme) loan up to $1,500 for personal and family wellbeing and/or asset building, including school uniforms, computers, mobile phones, TVs, fences and car repairs. Since 2012, NTM has offered a second no-interest, no fees loan product: the DRLS (Debt Relief Loan Scheme) loan is up to $3,000 for relief from high interest debt. In 2013, the JRMcKenzie Trust began providing operations funding, enabling NTM to appoint an Executive Officer and a Loans Officer, in addition to the part-time Loans Co-ordinator.

By November 2016, NTM had lent $88,000 in NILS loans, and $326,000 in DRLS loans. Calculating the NILS loans as saving the client 10% interest, and the DRLS loan as saving the client 40% interest, NTM loans had saved clients over $800,000 in interest, fees and administration costs.

The aims of the research were to evaluate the impact of NTM's no-interest NILS and DRLS loans on clients and communities, and to evaluate the effectiveness and efficiency of NTM processes, for the purpose of increasing the impact of the loans, and improving the loan processes. A third aim was to ascertain a continuing growth path for NTM. The fourth aim was to evaluate NTM's social justice contribution.

One of many important findings of the research was that NTM clients were appreciative of the profound improvement the NTM loans made to their ability to meet regular costs including food, to their peace of mind, and to their ability to move toward having an emergency fund thus avoiding the need for high interest borrowing in the future.

View the full evaluation.

Getting welfare right for the 21st century: reflections after the 2017 election

Susan St John's presentation to St Johns Rotary, Remuera Gold Course on 2 November 2017.

Drawing on her work in the field of social policy since the early 1980s, and her contributions to various commissions and taskforces and to the public debate, St John argued that in many respects, welfare has been devolving to a 19th century model producing incalculable harm for many families. There has been little scrutiny of the direction of welfare reforms with the Courts often left to determine matters of social security principle. She asked: Has the election provided a real chance for a new direction?

View the presentation.

Newsflash

NZ Super Fund

The Government is resuming contributions to the $37 billion NZ SuperFund with plans to add $7.7 billion between now and June 2022. The NZ Super Fund, invested globally, is expected to contribute nearly 13% of the cost of New Zealand Superannuation in 2078, with the tax paid by the Fund contributing a further 8.5%.

The contributions would initially be invested in passive, low-cost equity and bond investments, with new active investments to be added as opportunities arose.

Read more at NZ Herald.

KiwiFund

New legislation was tabled on 13 December 2017 to set up an "independent working group" to investigate Winston Peters' dream of a government-run KiwiSaver scheme. Drawn from the members' bill ballot, if it is passed, the KiwiFund Bill would establish a working group composed of "4-5 specialists across the banking, savings, and retirement fields" to develop the proposal details.

The draft legislation says "It is intended that the working group would first examine the accountability of current KiwiSaver providers relating to complaints of charging exorbitant fees, unethical investments, and profiteering in the trading of Kiwisaver providers."

The Government plans to kick off the KiwiBuild programme with $2 billion over the next three years.

Read more at InvestmentNews New Zealand.

FMA launches KiwiSaver Tracker

On 21 November, the Financial Markets Authority (FMA) launched the KiwiSaver Tracker, which provides KiwiSaver data in an interactive format to prompt discussion, engagement and debate on the relationship between investment risk, returns and fees. The KiwiSaver Tracker uses the information KiwiSaver providers give investors through their quarterly fund updates and via the Companies Office's Disclose Register, and will automatically incorporate new information from the Disclose Register every three months.

Paul Gregory, FMA Director of External Communications and Investor Capability said "Over 5 years, there certainly seems to be a link between higher risk investments and higher returns. However, the link between higher fees and higher returns is, apart from in the case of a couple of standout funds, far less obvious."

The Tracker is part of the FMA's ongoing focus on using disclosure to drive good conduct by providers and informed investor decision-making. The Tracker complements other existing independent sources of KiwiSaver analysis, like Sorted's Fundfinder.

View FMA's media release.

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Aged Care Crises: where is the promised Aged Care Commissioner?

M.Claire Dale, in the RPRC Working paper 2016-1 Ageing and the Economics of Caring quotes the Department of Labour (2009) estimate that the number of paid careworkers needs to almost treble from just under 18,000 in 2006 to 48,200 in 2036. Dale also quotes the Productivity Commission (2015): "government agencies quite often pay less than full cost when contracting providers to deliver the Government's goals and commitments. Such underpayment is unreasonable." The Human Rights Commission's report, Caring counts Tautiaki tika (2012) included recommendations for pay parity between health care assistants working in DHBs and in-home and residential care careworkers; introduction of a fair travel policy; support for and access to qualifications for careworkers; and the instruction of compulsory safety standards to protect careworkers and the people they care for.

The Ravenswood, Douglas et al 2014 New Zealand Aged Care Workforce Survey reported that nearly 40% of care workers who completed the survey were receiving an hourly rate of less than $15.00 and the remaining almost 60% received between $15.00 and $19.00 per hour. By mid-2017 pay parity and adequate staffing levels still had not been achieved.

On 18 April 2017 the government confirmed it had settled the TerraNova pay equity claim brought by E tū in the Employment Court in 2013 on behalf of Kristine Bartlett, a professional caregiver, who argued that her low hourly pay rate was a result of gender discrimination under the Equal Pay Act. From 1 July 2017, the predominantly female workforce would receive pay rises of about 15% to 49%, depending on qualifications and experience, at a cost to the government of around $2 billion. The Ministry of Health set up a webpage with information for employees who may be eligible for a new pay rate.

The settlement was supposed to address the historic undervaluing of this workforce and help to support increased qualifications and reduced turnover in the sector, resulting in better care for New Zealanders. But on 2 October 2017, Radio NZ reported pay equity for care workers closes care facilities: rest-home providers were claiming the knock-on effects from aged care workers' pay equity settlement would lead to job cuts and closures particularly of smaller rest homes in smaller centres. On 3 October, Radio NZ reported impact of pay equity 'shocked us all': providers of home and community health services were claiming that the Health Ministry was not fully covering the cost of the government's landmark pay equity deal for low paid workers.

Then on 7 August, Caughey Preston, a large 200-bed facility in Auckland, announced it was closing and residents would need to find alternative accommodation by 1 October: "Aged Care Association chief executive Simon Wallace said up to 100 rest homes were under financial pressure because of the new wage settlement in the sector".

The good news is that, after a cross-party inquiry found elderly care standards are falling, Labour have pledged to introduce an Aged Care Commissioner. Health Minister David Clark has said independent oversight of the sector is needed from someone with statutory powers and the ability to investigate and make recommendations to Parliament.

	1 July 2017 Year 1	1 July 2018 Year 2	1 July 2019 Year 3/4	1 July 2021 Year 5
L0 or < 3 years service	$19	$19.80	$20.50	$21.50
L2* or 3+ years service	$20	$21	$21.50	$23
L3* or 8 + years service	$21	$22.50	$23	$25
L4* or 12+ years service	$23.50	$24.50	$25.50	$27

New wage rates for existing workers

The Retirement Policy and Research Centre thanks its sponsors, close collaborators, and host CARE (Centre for Applied Research in Economics) in the Department of Economics at the University of Auckland.

Fifty years from the Woodhouse Report: A celebration and assessment of ACC

On 11 December, the AUT Policy Observatory held a symposium of ACC research and reflections on how the system has endured, and remaining challenges.

Susan St John delivered some personal reflections, and quoted some comments from Sir Ted Thomas:

The Woodhouse Report "reflects his vision of a more humane, harmonious and responsible society. As such, it represents the most far-reaching exhortation to the community to engage significantly with those who are less fortunate since the enactment of the Social Security Act in 1938. ... The comprehensive and unified scheme which he advances to replace a fragmented and capricious response to the problem of personal injury is conveyed with a clarity, cogency and cohesiveness that few, if any, authors could emulate." 1969

St John closed with the hope that we can build on the timeless Woodhouse principles to redesign the system for the changed labour market of the 21st century.

View Susan's PowerPoint presentation here.

Kerridge and Partners Leadership Conference

3 November 2017, Auckland

Among the invited speakers at the conference were Jean-Francois Manzoni, Professor and President at IMD, Peter Reidy, CEO KiwiRail, Margie Apa, Director Counties Manukau DHB, Christopher Luxton, CEO Air New Zealand, and Susan St John, Honorary Associate Professor of Economics and Director of the Retirement Policy and Research Centre at The Business School, University of Auckland, and founding member of Child Poverty Action Group.

In the volatile and complex world that we operate in today, it has become increasingly important for leaders to be aware of the megatrends impacting the social, economic, environmental and geopolitical landscape that will have major implications on businesses and governments. At the same time, leaders are increasingly being asked to deliver sustainable value not just for their organisations, but for the community at large and to nation building. With the increasing convergence of the roles of businesses, governments and society, leaders will need to learn to lead in the 'new normal'. Susan St John spoke on 'The role of business in enhancing family life'.

View Susan's PowerPoint presentation here.

RPRC Supporters celebrate 2017 at Old Government House

Michael Littlewood, retired co-director of RPRC and Michael Chamberlain, long-time supporter of RPRC, joined M.Claire Dale, Research Fellow, Yun So, Research Assistant, and Susan St John, Director to celebrate another very productive year for the RPRC.

The hope is that in 2018 we will see some necessary changes to retirement policy, particularly the end of the deduction of KiwiSaver-equivalent overseas pensions from recipients' New Zealand Superannuation, and the end of the provision that deducts overseas pensions from the New Zealand Superannuation entitlement of the spouse of the recipient.

Other important issues are decumulation, paying for aged care, and planning for the ageing population. RPRC will be working on these issues with other stakeholders in 2018.

Wishing all the RPRC supporters season's greetings, a safe holiday and a prosperous 2018

Media, presentations and contributions

11 October 2017, The Spinoff, Jenesa Jeram refers to Michael Chamberlain's and Michael Littlewood's Review of the Retirement Commissioner's 2016 Review

25 October 2017, The Guardian, UK, Eleanor Ainge Roy quotes Susan St John in Jacinda Adern takes newly created role of minister for child poverty reduction

25 October 2017, radionz, Jesse Mulligan interviews Susan St John on The new government's focus

27 October 2017, High Court Newshub, Susan St John gives media interview, Loans are income claim by MSD

1 November 2017, Dominion Post, Craig Hoyle quotes Susan St John in Campaigners call for welfare overhaul, following court action against solo mum

22 November 2017, Old Government House, Susan St John delivers the Critic and conscience seminar

28 November 2017, pro-newsroom.co.nz, Shane Cowlishaw quotes Susan St John in Average NZers richer, but more dependent on benefits than ever

3 December 2017, Sunday Herald, Paul Little quotes M Claire Dale in Christmas is coming, the debt is getting fat

7 December 2017, Auckland City Mission, Susan St John a panel discussant at Child Poverty Monitor launch: 'Interpreting the figures'

7 December 2017, Scoop.co.nz, Centre for Applied Research in Economics Evaluation of Ngā Tangata Microfinance, led by M.Claire Dale and Erwann Sbai, at Ngā Tangata Microfinance breaking the hold of predatory lenders

November/December 2017, Safeguard Magazine Issue 166, Susan St John authors Woodhouse at 50

14 December 2017, Kaspanz.com, Susan St John's thoughtful approach to retirement income issues noted in Kaspanz 2017: The Dominant retirement income issues for New Zealand.

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