
Letter to the editor

Phased New Zealand Superannuation?

Everyone knows that we live longer than a few decades ago, and that most of us have more years of active life before the inevitable sets in. Isn't it obvious that, as long as we are good and healthy, we should work at least part-time a couple of years longer? Or wouldn't it be a good idea for many of us to work a bit less, year by year, until we retire. Life expectancy is rising, and our general health is better than it used to be, and there are more job opportunities that do not require heavy physical work. So most of us could really work that little bit longer.

We all know that there is both good news and bad news about aging. Perhaps the Bad News is that the proportion of our population over 65 is increasing all the time, thus increasing the cost of supporting us. This increased aging is sometimes called the Old-Age Dependency Ratio (the number of elderly people at an age when they are generally economically inactive, compared to the number of people of working age). It continues to rise, and for most countries is expected to be 40–50% in a few decades. Ouch! At the same time, the younger section of our society is correspondingly decreasing, and they are paying the taxes to support us.

But the Good News is that the older of us have, on average, more years of active life. So life expectancy is increasing, and so is our health. If we factor this in (and let's call it Prospective Old-Age Dependency Ratio, or POADR for short), the POADR

is rising at only about half the above rate. So that is good news which we should use.

Well, maybe I should declare my position a bit more. I am now 72 (shudder) but still work (officially) 40% time. Until I was 70, I declined to register for New Zealand Superannuation (NZ Super) because I was still working. There were other stages of my life when our family had much greater need of public support than then. Well then, let's think sensibly about some options

So my suggestion is three-fold.

Part 1. Eligibility at age 64 for those in real need of it

We are civilised, and civilised societies look after all their members. To help show that we are serious about supporting everybody who needs it, we could lower the age of eligibility of NZ Super by a year – to age 64. Only those on some form of disability pension would go on to the NZ Super at that age. However, it is important that we reiterate to everyone that a civilised society looks after everyone who has a real need. There is no additional cost from this move – but it is making an important point about a civilised society.

Part 2. Phasing in NZ Super over 4 years

Rather than changing the age of basic eligibility, I would prefer a phased increase in the proportion of NZ Super be the 'norm',

while retaining eligibility for 100% NZ Super if not working. A couple of schemes are given below.

Part 3. Reward those who delay taking NZ Super until they are at least 70

Some people are happy to put off registering for NZ Super for several years; they are still working constructively and happily. This could be encouraged, and I think it would be worth a good reward. For those who ‘opt out’ from receiving a benefit until they are least 70, then an additional one year’s NZ Super would be both good and affordable. It is affordable because, even with it, they have saved us four years of public funding. How it is spent would not be the government’s business, but one possibility I could imagine would be to do some modifications to houses so that there is easier access as we get older. No matter what, it has saved us all significant funding, and is well worth a reward.

Yes, there are those who might be aiming to opt out of taking NZ Super, but then things go wrong: their health gets worse, or the financiers cause a major slump and jobs dry up. They can still just register and pick up immediately from the appropriate point for their age group. None of us knows precisely what the future holds for us, so the in-built flexibility of the system is important.

However, I do not think that it is a sensible (rational?) use of public funds to give money to people who are working more or less full time. As such, the age of receiving NZ Super need not be maintained at what was appropriate 50–60 years ago.

If we are working longer, there will have to be some safeguards built in to check we are still up to it. I know of one disastrous case where one unfortunate individual had lost his short-term memory, covered up pretty well, but the longer term the results were fairly disastrous for his employer. So if we are going to keep working somewhat longer, at least part-time, then we do need safeguards that productivity and innovation are maintained. Perhaps we don’t need to do exactly the same job as earlier – lots of people might be glad of a little less responsibility – retiring gently.

From experience, I think that many people do not like sudden big changes. We all anticipate something of what the future

might hold for us. So for the majority, one option is to establish a steady transition, where we change the amount of NZ Super the majority will get as they age. Perhaps it could be as follows:

	65	66	67	68	69	sum
2012	1.0	1.0	1.0	1.0	1.0	5.0
2013	0.8	1.0	1.0	1.0	1.0	4.8
2014	0.6	1.0	1.0	1.0	1.0	4.6
2015	0.6	0.8	1.0	1.0	1.0	4.4
2016	0.6	0.8	0.8	1.0	1.0	4.2
2017	0.4	0.8	0.8	1.0	1.0	4.0
2018	0.4	0.6	0.8	1.0	1.0	3.8
2019	0.4	0.6	0.8	0.8	1.0	3.6
2020	0.4	0.6	0.6	0.8	1.0	3.4
2021	0.4	0.4	0.6	0.8	1.0	3.2
2022	0.2	0.4	0.6	0.8	1.0	3.0

However, I think it’s probably better to get it over and done with. I would prefer the following.

	65	66	67	68	69	sum
2012	1.0	1.0	1.0	1.0	1.0	5.0
2013	0.8	1.0	1.0	1.0	1.0	4.8
2014	0.6	0.8	1.0	1.0	1.0	4.4
2015	0.4	0.6	0.8	1.0	1.0	3.8
2016	0.2	0.4	0.6	0.8	1.0	3.0

This is simpler and faster, and on average results in the same average 2-year rise in the average age at which most of us get NZ Super. But remember, there are those on Part 1 who need it earlier, and those on Part 3 who put it off. Let’s have a sensible discussion. The world is changing, and we do have a brain.

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David has asked members for comment on his views on New Zealand’s Superannuation, which the Association will be pleased to publish.

Editor