

# **Living Standards for Elders**

## **Summary Report**

### **New Zealanders discuss state-funded income support in retirement**

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## **Introduction**

The demographic distribution of many countries, including New Zealand, is changing as people are living longer and having fewer children. Additionally, the largest age-cohort in New Zealand is now reaching the age of retirement. The ageing of the population has been met with concern due to projections of rising costs and fewer tax-payers relative to the number of retirees. The financial implications of the ageing population are given prominence in the media, and feature as rationale for the direction of social policy. The New Zealand government currently provides a pension, referred to as New Zealand Superannuation, funded from general taxation and paid to all citizens over the age of sixty-five years, regardless of income and assets. To address the increasing costs of universal superannuation, the Retirement Commission has recommended that the age of entitlement be increased. This has generated considerable media commentary and public discussion. This research examines this discussion and the implications of the way New Zealanders talk about superannuation.

## **Background**

New Zealand's universal pension scheme is supported by voters and taxpayers due to notions of obligation towards older people. These obligations are based upon the perceived neediness of older people and an implicit social contract in which financial support is due as a return for earlier work and tax contributions (Ng & McCreanor, 1999). State-funded income support for older people in New Zealand has undergone many changes since its introduction in 1898. Eligibility criteria and amount of financial provision have changed according to economic circumstances and historically-contingent evaluations about the deservingness and neediness of older people (McClure, 1998). As superannuation policy has shifted over the years, a tension has remained regarding how much emphasis should be placed on individual, familial and state responsibility for financial provision in later life (Munro, 2002). These understandings are based upon how older people are depicted in discussions of superannuation.

Discussion of pensioners tend to focus on older people as the 'deserving poor' or a 'societal burden' (Bernard & Phillips, 2000). The deserving poor are considered appropriate recipients of societal support as they are both blameless and needy. Financial support for older people may be considered less appropriate if recipients are depicted as a burden or drain upon society. Depictions of older people as a burdensome group suggest other societal groups are being unfairly deprived of resources.

Recently, the model of 'successful ageing' or 'positive ageing' (Ylanne-McEwen, 2000; Davey & Glasgow, 2006) has gained prominence as a way to address growing political concerns about the economic cost of ageing societies. In this model, older age is viewed as a time of wellness, activity and engagement in society and the ideal of a healthy, active and independent senior citizen is presented as widely achievable. Implicit in 'successful ageing' is individual responsibility for ageing 'successfully', obliging older people to engage in behaviours that will allow them to retain health and independence in older age. The 'successful

ageing' model depicts older people unable to make adequate provision for later life as a societal burden. This disregards the decline that people inevitably face in old age, and downplays the importance of systemic and societal inequalities in contributing to the ways that people age.

The shift towards 'successful ageing' has occurred alongside the rise of neoliberal rationalities in Western nations. Neoliberalism downplays notions of collective responsibility for the welfare of citizens and endeavours to shift this responsibility onto the individual and the free market (Rudman & Molke, 2009). Powell (2006) suggests this shift towards constructing people as individually responsible for their ageing may change expectations of societal obligation regarding provision for older people. Through these shifting understandings, neediness in old age is translated from an indicator that social support is required, to a marker of lack of preparation for later life.

### ***Media and Social Policy***

Through facilitating and influencing public discourse, media have a crucial role in creating the conditions that make social policy change possible (Hodgetts & Chamberlain, 2006; Frewin, Pond, & Tuffin, 2009). Depictions of older people in the media are often centred on social policy issues. These accounts are not an objective reflection of what is occurring in society, but are selected for 'newsworthiness' and to reflect dominant understandings (Rozanova, 2010). The coverage given to issues by mainstream media is considered a key indicator of public sentiment, which in turn may influence the policies generated (Hodgetts & Chamberlain, 2006). In articles highlighting population ageing, negative and alarmist language is typically used to describe demographic change, with metaphors of natural disaster used to construct the growing older population as a destructive and unpredictable force (Wilinska & Cedersund, 2010). These understandings of older people and the expectations that later life is the culmination of good individual decision making frame the expectations around social provision for income support in later life.

### **Method**

At the time the data were collected there was considerable public attention surrounding New Zealand superannuation, due to a recommendation from the Retirement Commission that the age of eligibility for superannuation should increase. The ensuing debate generated media and political commentary as well as the opinions of the general public. Two kinds of data were examined here: Two opinion pieces, from The New Zealand Herald and Herald on Sunday respectively, were chosen for analysis, and public comments submitted online in response to these articles were also analysed. Between them, these articles generated 233 responses on the Herald website. The articles and comments were analysed using rhetorical analysis. Rhetorical analysis examines the ways that text or talk is constructed to influence an audience towards accepting particular versions of reality or courses of action (Winton, 2013). The words and language used were examined, and common sense understandings or ideological views underlying the argumentative stances were identified.

Figure 1. Screen shot of Bernard Hickey Media Article for Analysis.

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## Bernard Hickey: Baby boomer burden starts

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This is the year it starts.

Sixty five years ago, New Zealand's population was about to start increasing dramatically.


Servicemen were arriving home as World War II was ending. Young men and women wanted to have children and lots of them. It seemed the beginning of a golden age. New Zealand was one of the richest countries in the world. Untouched by war directly, it was able to produce the meat, wool and dairy products the world needed desperately.

Protected by the nations that won the war, New Zealanders felt assured of economic growth, national security and that there would be pensions, education and health care for these new children.



+ EXPAND

The Retirement Commission has called for a national debate about extending the retirement age from 65 to 67. Photo / Thinkstock



**Bernard Hickey: Lean on mums and dads**

- **Bernard Hickey: Housing habits hard to shake**
- **Bevan Rapson: Boom, boom, boom get over it**
- **Bernard Hickey: Black Swan watch**

"The recklessness."

### ***Newspaper Articles***

Economic forecasters in New Zealand were concerned that the provision of New Zealand Superannuation would become unsustainable in the future. This concern was based upon increasing life expectancy and the large generational cohort born after World War Two reaching the age of superannuation eligibility. The Retirement Commission, whose role involves advising the government on policy, presented a report to parliament in December 2010 asserting that expenditure on superannuation was increasing due to an approaching “wave of ‘baby boomers’” (Retirement Commission, 2010, p. 12). The report contained recommendations for policy change in order to reduce the cost of superannuation. These recommendations included raising the age of entitlement for superannuation from sixty-five to sixty-seven years, starting from 2020, and linking the rate of superannuation payment increases to inflation rather than to the average wage. Prime Minister John Key had previously stated that he would resign rather than see eligibility criteria or entitlements for superannuation change (Key, 2008). Due to this tension between the Prime Minister, government advisors, and economic commentators, New Zealand Superannuation became a controversial issue. Two articles appeared in the mainstream media shortly after the Prime Minister indicated he would not be adopting the Retirement Commission’s recommendations. The authors of the two articles, Andrew Gawith and Bernard Hickey, are well-known New Zealand economists. Hickey has a lengthy career as a business and financial journalist and is a popular commentator on economic matters. Gawith works as a director of a large investment company and often communicates with lay audiences about financial matters. Gawith’s “Retirement age should move with the times” published in December 2010 (Gawith, 2010), and Hickey’s “Baby boomer burden starts” published a few weeks later (Hickey, 2011) argue for a change to eligibility for superannuation. In particular these commentators support raising the age of eligibility from sixty-five to sixty-seven years and they seek to persuade their readers to adopt this position. These opinion pieces were opened up for the public to comment, and online reader responded both in support and opposition to the Gawith and Hickey opinion pieces, suggesting wide public engagement.

## **Findings**

### ***Generational Characteristics***

Age-cohort was the primary way in which people were categorised in the discussions around the issue of superannuation affordability. In the media articles, baby boomers were ascribed stereotypical characteristics of selfishness, greed, irresponsibility, good fortune and power. These characterisations constructed the baby boomer cohort as a group who are not like the rest of the population both in personal traits and in the external circumstances they faced. This has implications for the superannuation debate, as characterisations of baby boomers as selfish, greedy and irresponsible create a category of people that society does not *want* to support. The characterisations of powerful and lucky baby boomers create a category of people that society does not *need* to support. Therefore these themes are indicative of an

argument for change to superannuation entitlements based on alleged negative characteristics of this age-cohort.

To resist these negative ascriptions of baby boomers as selfish and fortunate, responders highlighted the economic contributions baby boomers have made over their lives. They presented superannuation as a just return for economic inputs, and invoked reciprocity and obligations under the social contract to claim that superannuation is deserved or earned. The argument for baby boomers having earned superannuation tended to focus on payment of tax and hard work, followed by building societal infrastructure. These claims of contribution functioned to resist and counter the newspaper depictions of the baby boomers as an overly-entitled, greedy and irresponsible group whose only legacy to younger generations is escalating debt.

### ***Intergenerational Competition***

The newspaper articles describe the relationship between generations with metaphors of action such as ‘taking away a dream’ or ‘passing on debt’, where the outcome for the younger generation is negative, and agency is ascribed solely to the baby boomers. This adds a suggestion of injurious intent from the older group, and casts the younger group as victims. This functions to create a divide between age groups who are portrayed as being in competition for scarce resources, with the baby boomers currently ‘winning’. Readers are encouraged to identify with their generation and compete for resources. The placing of blame for the issues facing younger people onto the baby boomers generated antagonism, and responses included pejorative references to both older and younger generations. These arguments invite the maligned to maintain a positive identity by constructing the other generational group as problematic. This pattern fuels intergenerational antagonism and results in entrenchment of the opposing positions.

Accounts that emphasise intergenerational inequity and promote divisiveness may have implications for New Zealand Superannuation as it is reliant upon public support. Intergenerational inequity and conflict also functions as a distraction from more significant issues of inequality in retirement. Bernard & Phillips (2000) contend that the homogenised way that intergenerational arguments view older people means the disadvantage of particular societal groups in older age persists. Lower income earners, minorities, and women are most in need of financial support in older age, and are therefore most likely to be significantly affected by any changes to superannuation (Estes & Phillipson, 2002). With the focus upon different age cohorts, more fundamental issues of inequity in retirement are less visible, such as inequity across social class, ethnicity and gender (Hamil-Luker, 2001).

### ***Earning Superannuation***

In the data, people emphasised work and tax contributions during their working years as a basis for their receipt of the pension. The focus in these arguments on baby boomers having earned New Zealand superannuation suggests the foundations of the social contract may be shifting away from social exchange based upon welfare ideals towards an understanding of superannuation as compensation for work and tax-

paying contributions. This is consistent with Ng & McCreanor (1999) who found a pattern of discourse in which superannuation is understood as a societal obligation to those who have contributed to society, based upon a principle of social exchange and an implicit social contract. In Ng & McCreanor's data (collected in 1986) such activities as volunteering and caregiving were included as legitimate kinds of contributions. In the current data, however, participation in paid work and tax-paying were treated as the legitimate bases for subsequent pension deservingness, and recognition of unpaid contributions was absent. The assumption that people earn their superannuation through contributions to the wealth of society is an apparent shift from understandings of superannuation as provision for the needs of older people, which was prevalent in New Zealand's earlier years as a welfare state (McClure, 1998). This theme of contract-like obligations that are contingent upon particular kinds of contributions has implications for people who are less able to claim they deserve superannuation. Those who have not spent most of their life in the workforce may be positioned as undeserving of superannuation.

This emphasis upon earning superannuation suggests there is incompatibility between the way New Zealanders talk about superannuation and the current universal superannuation scheme. Personal responsibility for one's own financial support in old age is congruent with the notion that individuals earn superannuation through their work and tax payments, however the current universal superannuation scheme that equally rewards people regardless of how much tax they have paid does not match this account. Rather the notion of personal responsibility fits more comfortably with the increasing emphasis on individual provision for retirement (for example, through KiwiSaver) in which those who have contributed receive a commensurate return.

### ***Recognising Vulnerability***

Several responders argued for retaining the current age of superannuation eligibility based upon their personal and family experience of vulnerability and decline in older age. They asserted that 'successful ageing' did not reflect their experience of growing older, even though people are living longer on average. These accounts worked to establish biological decline as the normal experience of older people and invoke the obligations of a civil society towards the needs of older people. These accounts resisted the notion that retiring is a personal lifestyle choice (as is implied by 'successful ageing' accounts) and, by invoking the vulnerability of older people, these accounts resisted the notion that fiscal considerations should be the primary concern when selecting the age of superannuation eligibility. Claims of neediness and vulnerability are used in the data most often by younger people to talk about older people, rather than by older people themselves. Social policy often promotes ideals such as independence and capability as indications of ageing well. Older people therefore may often seek to avoid presenting themselves as dependent or incapable (Breheny & Stephens, 2009, 2012). Thus older people may be in a position where it is difficult to both draw upon notions of vulnerability in order to argue for retaining superannuation benefits and to maintain a positive moral identity.

### ***Morality of Resource Allocation***

The newspaper articles and several of the responses argued for change to current superannuation criteria in order to reduce cost. In response, public commenters argued that other areas of government expenditure should be cut back instead of superannuation. Social welfare benefits were commonly identified as the appropriate place for such cuts. In support of this argument, respondents worked to distinguish pensioners from other kinds of beneficiaries. This was achieved through contrasting constructions of pensioners as deserving and other beneficiaries as undeserving. The negative characterisations of baby boomers were rejected and countered with claims about the negative characteristics of beneficiaries. In these accounts, taxpayer-funded support for beneficiaries is presented as distasteful, and the recipients as of dubious moral character. These accounts work to counter claims that superannuation is a costly societal burden by presenting another area of expense as more wasteful and objectionable, and therefore a more appropriate area in which to reduce expenditure.

### ***Being prepared: Personal responsibility for financing retirement***

Although universal superannuation provides a steady income for older people in New Zealand, the prominence of concern about future affordability creates uncertainty around the future of state-funded income support for older people. In the data, a moral account of ageing in which ‘good’ and ‘responsible’ people prepare financially for their own retirement is apparent, with responders suggesting that, due to uncertainty, sensible people should save for their own retirement. Messages about the necessity to save for retirement are also seen in policy and the media. The notion that individuals should take responsibility for their own welfare in later life counters the notion that it is incumbent upon state to support older people. If there is an imperative of personal responsibility for one’s retirement income then it follows that there is less right to expect support from the state.

The suggestion of personal responsibility for income in older age divided future retirees into two polarised groups: responsible and irresponsible. The first group were described as having “slaved and sweated and paid taxes through a lifetimes work” or “done the responsible thing by putting money aside for many years”. The second group, it was suggested, “boozed, smoked and gambled their money away” and “couldn’t be bothered” preparing for retirement. These depictions imply that the financial status of individuals as they reach retirement age is based upon how hard they have worked and how responsibly they have acted over the years. In this account, those without the means to support themselves in retirement are responsible for their situation due to their own undesirable behaviour. The situation of those on lower incomes whose finances are used to pay for basic necessities is overlooked. Personal responsibility for income in retirement is compatible with the literature on ‘successful ageing’, in which individuals are encouraged to engage in behaviours that will achieve continued independence in older age (Hodgetts, Chamberlain, & Bassett, 2003). Financial security is also part of ‘successful ageing’ (Breheny & Stephens, 2010), with comfortable material circumstances considered evidence of individual effort and virtuous



choices. In this account of retirement, a higher moral status is ascribed to those who are financially independent, and neediness is no longer a sign of deservingness, rather it is a sign of immoral behaviour. These understandings promote the view that those who depend upon a government pension in older age are of dubious moral character, as is often seen with other kinds of beneficiaries. This is likely to result in greater inequalities in older age, and may exacerbate health and social inequalities.

### ***Retaining universal superannuation***

Although there were prominent arguments in the data for the retention of current superannuation entitlements, these arguments largely invoke societal obligations based upon reciprocity for contributions. If reciprocity based on contributions made by taxpayers is the most widely available way of understanding New Zealand superannuation, this supports a move towards contributory schemes such as Kiwisaver. However there may be significant societal benefits in retaining a scheme that automatically targets the entire older population. Willmore (2007) argues that a universal, non-contributory pension is the ideal model of financial support for older people in developing countries, and suggests such schemes can be both affordable and effective in alleviating poverty in old age. He suggests New Zealand's current scheme is a successful example of societal provision for older people that other countries could benefit from following.

### **Conclusion**

The message that sensible and responsible people save for their own retirement positions those in need as undeserving due to their own moral failure. Reaching the age of retirement without having accumulated the means to support oneself may become a mark of irresponsibility rather than an indication that societal assistance is required. As support for social provision is linked to understandings of need and deservingness, this shift could reduce support for the tax-payer funded pension as older people would be categorised as either non-needy or undeserving. The effects of poverty tend to accumulate across the lifespan such that inequity may be greatest in the lives of older people. The effects of earlier and accumulated disadvantage can be mitigated if resources are made available (Ferraro & Shippee, 2009). Changes in superannuation policy are likely to adversely affect those groups that are already the most vulnerable. Maintaining the current universal scheme will help ensure that inequity in older age does not worsen.

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‘New Zealanders discuss the economic and social issues of state-funded income support in retirement’

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