

# **Living Standards of Older New Zealanders A Technical Account**

## **Te Noho o ngā Kaumātua o Aotearoa**

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## Disclaimer

Any opinions expressed in this report are those of the authors and do not necessarily represent the views of the Ministry of Social Policy

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# Overview

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## Background

This research programme on the living standards of older New Zealanders was initiated in 1999 by the Super 2000 Taskforce. Its purpose was to inform policy development and public debate about income security and social assistance for older New Zealanders. The Taskforce had been established to develop a retirement income framework that would foster stable policy and enable New Zealanders to plan for their retirement in confidence. When the Taskforce was disbanded in March 2000, the research was continued by the Ministry of Social Policy.

This report is a technical account of a study on the living standards of older people. The aims of the study were to construct a standard of living measure, describe the living standards of older people, compare the living standards of older people with other groups, and examine factors underlying living standards differences amongst older people.

This study is an initial investigation of the data gathered from a main survey of 3060 older people and two supplementary surveys, one of 542 Māori aged 65 to 69 years and the other of 3682 people aged 18 to 64 years (working-aged). The surveys were conducted in February to June 2000. The analysis focuses mainly on the data from the survey of 3060 older people. More detailed analyses of the older Māori and working-age survey data are being undertaken and will be reported separately in the near future.

## The survey participants

### *Demographic features*

Just over half (53%) of the sample of survey of 3060 older people were single (living alone or with others), and just under half (47%) were couples (living alone or with others). The mean age of single respondents was 76, compared with 72 years for couples. The population was mainly Pakeha with 3% Māori and 2% of Pacific Island ethnicity. Two-thirds of the respondents lived in major urban areas (67%), a quarter in minor urban areas (24%) and only 9% lived in rural regions. The majority of respondents (70%) lived in the North Island with nearly one-third living in either the Auckland or Wellington regions.

Levels of educational achievement were relatively modest, with just under two-thirds of respondents having no formal educational qualifications.

### *Health*

As might be expected from the age of the sample, health problems were prevalent amongst this sample with a sizeable minority of respondents reporting potentially serious health problems including cardiovascular diseases, cancer and diabetes.

### *Economic circumstances*

Two major impressions emerged about the economic circumstances of the sample.

The levels of income (from all sources including New Zealand Superannuation) tended to be relatively modest, particularly for single respondents. For example, three-quarters of single respondents had net incomes of less than \$15,300 pa (\$293 per week) and three-quarters of couples had net incomes of less than \$32,500 pa (\$623 per week). Levels of savings were also modest, for example, three-quarters of single respondents had savings and investments worth less than \$37,500 and three-quarters of the couples had saving and investments worth less than \$100,000. The findings indicate a population with relatively low levels of financial resources.

The majority of the population owned their own home (68% of single respondents and 86% of couples). Most respondents who owned their own home, did so freehold. As a consequence of high home ownership, the accommodation costs across the older population were generally low. Three-quarters of all respondents reported paying less than \$30 per week for accommodation (including rental, rates, mortgage or similar costs). These low accommodation costs suggest that although incomes amongst older people were often relatively modest, relatively little of this income was spent on accommodation.

### **Measuring and describing living standards**

Living standards was measured by developing a scale (the *Material Well-being Scale*) using methods of confirmatory factor analysis. This scale is based on the assumption that material well-being is a latent variable whose properties are reflected in a series of observable aggregate indicator variables. These aggregate indicators include measures of:

*Ownership Restrictions:* Items in this sub-scale all described situations in which the respondent reported failing to own something they wanted because they could not afford it. Items were chosen to span a range from those relating to basic necessities (e.g. good shoes) to more luxury items (e.g. dishwasher, waste disposal).

*Social Participation Restrictions:* Items on this sub-scale all related to the extent to which the respondent reported restrictions on social activities they wanted to undertake but could not because of a lack of money. Restrictions ranged from basic social activities (e.g. giving presents to family/friends) to more luxury items (e.g. overseas holidays every three years).

*Economising:* Items on this sub-scale described the extent to which the respondent reported making economies in key areas including food, clothing, medical care, home heating.

*Severe Financial Problems:* Items on this sub-scale described the extent to which the respondent had faced severe financial problems in the last 12 months as measured by such things as use of a food bank, being unable to pay bills for accommodation, utilities, etc.

*Self-assessments:* Respondents were asked to rate the adequacy of their income for buying every day necessities, and to rate their level of material living standards.

The *Material Well-being Scale* was of moderate internal consistency (alpha), exhibited factorial validity and was correlated with a series of concurrent and predictive validation measures. The successful development of this scale made it possible to assess and describe the living standards of older New Zealanders.

### ***The living standards of older New Zealanders***

Overall, the results show that most older people were doing relatively well, with any restrictions relating to more “luxury” oriented items (such as holidays away from home or overseas). The results also suggest that a small minority (less than 5% of the sample) had quite marked material hardship and restrictions, and a further 5-10% of respondents were experiencing some economic difficulties.

A preliminary comparison across the total population showed that older people tended to report fewer material restrictions and difficulties than younger people, with this trend holding for both Māori and non-Māori respondents.

### **The factors associated with living standards**

A regression analysis was used to examine the correlates and predictors of variation in living standards as measured by the *Material Well-being Scale*.

#### ***Factors found to predict variation in the living standards of older people were:***

***Net Annual Income:*** Consistent with other studies that have directly measured living standards outcomes (things people have and do), the research found a modest relationship between income and material living standards. In addition, the research indicated that the impact of changes in weekly income would be greater for those at lower income levels, with diminishing impact on living standards for those with higher income levels.

***Savings and Investments:*** Savings and investments contribute to higher living standards. This may occur through their being progressively spent to permit a higher level of consumption than would otherwise have occurred, or by acting as a buffer against unexpected economic shocks.

***Accommodation Costs:*** The role of accommodation costs in determining living standards is likely to reflect the impact of these costs on the respondent’s disposable income. Those with high accommodation costs were disadvantaged relative to those with low costs. Rental costs were the primary source of higher housing costs.

***Economic Life Events and Stresses:*** Both exposure to various adverse life events and circumstances in the decade before retirement, such as marital breakdown, unemployment, and bankruptcy; and recent economic stresses such as unexpected bills or costs had an impact on levels of living standards. These findings highlight the role of long term life course factors in determining the living standards of older people, and also highlight the need for older people to have resources to cushion themselves from the effects of economic stresses during retirement.

***Age:*** The results suggested a small tendency for the material living standards of older people to increase with age. This result is the opposite of what might be expected on the assumption that reductions over time in savings, assets and the condition of household amenities should produce a decline in living standards as respondents became older. The reason for this effect needs to be examined further in the future. Possible explanations for this findings are that it reflects:

- a process of disengagement so that as people grow older, their wants and needs tend to reduce, making them less vulnerable to material hardship;
- a cohort effect such that older cohorts (e.g. aged 75 to 85 years) experienced a more favourable economic life history than younger cohorts (e.g. aged 65 to 75 years);
- some unmeasured factor (relating to lifestyle or capability) that influences both living standards and the likelihood of surviving into advanced age. Therefore, the older “survivor” group tends to be better endowed in respect of that factor than is the younger group.

***Māori ethnicity:*** The preliminary findings from this study agree with other New Zealand evidence that Māori as a group experience greater material and social disadvantage. Māori had lower living standards than non-Māori with most of this difference being explained in the study by other variables in the analysis (income, savings, accommodation costs) that were correlated with both ethnicity and living standards. This suggests that the lower living standards experienced by Māori were largely a consequence of their economically disadvantaged position. However, even after other factors had been taken into account, a part of the difference for Māori remained unexplained.

***Pacific peoples:*** Pacific peoples had lower living standards than Māori or Pakeha/other respondents. As for Māori, the results appeared to largely reflect economic disadvantage, but some difference remained even when these other factors are taken into account.

***Educational achievement and Socio-economic Status (SES):*** Even after other variables in the study (income, savings, accommodation cost, etc) were taken into account, respondents of low SES or who lacked formal educational qualifications tended to have poorer material well-being.

### ***The accumulative effects of social, personal and economic factors***

Frequently contemporary debates about issues surrounding such matters as material well-being or poverty focus on the role of specific factors and, particularly, current income or benefit levels. However, the findings of the regression model suggest that levels of material well-being in older people are determined by an accumulative disadvantage model in which the CEU’s level of material well-being reflected the accumulative effects of current income; savings and assets; accommodation costs; household composition; age; socio-economic status; ethnicity and region.

### ***Model indeterminacy***

Overall the regression model explained 40% of the variability in levels of material well-being of the population of older people. Although this is clearly a significant amount of explained variation, the model estimates imply that there is considerable uncertainty and imprecision in the prediction of individual score values on the basis of the model predictions. These indeterminacies may, in part, be due to errors of measurement in both the predictor and outcome variables. However, it is unlikely that limitations in prediction are solely due to measurement error. Another important contributing reason may be that the study omits some important influences on the material well-being of older people.

Furthermore, the model may not fully capture the interplay between different factors and, therefore, may miss some of the more fine grained detail that determines differences in individual levels of material well-being. It is a challenge to policy to reflect not only the broad factors that “on average” influence levels of material well-being, but also to reflect the importance of quite specific combinations of needs that may occur.

## **Policy Themes**

The results suggest a number of key themes for policy, including:

### ***Current system of income support***

The results suggest that the current system of income support for older people has been successful in protecting the great majority of older people from hardship.

### ***Assisting the minority in hardship***

The findings suggest a number of policy criteria (income, savings and investments, accommodation costs, etc) that might be used to target supplementary assistance for the minority of older people facing particular financial hardship.

### ***Ensuring parity between older people and others in the population***

The preliminary analysis suggests that older people as a group are faring relatively well compared to the working-age population as a whole. This invites a wider consideration of the income maintenance needs of various other sections of the New Zealand population with limited incomes.

### ***The importance of pre-retirement policies***

The results suggest that policies focused on pre-retirement events and circumstances are may contribute effectively to the living standards of older people in retirement. Key issues that could be addressed include: encouraging saving and investment to meet economic needs in old age and ensuring high levels of employment and adequate income levels over the life course before retirement age.

### ***Māori and Pacific peoples***

The findings on ethnicity reinforce themes in New Zealand social policy concerning the importance of remedying the pervasive social and economic disparities between Māori and Pacific peoples, and the rest of the New Zealand population.

## **Future Research**

This report is the first in a series of studies being undertaken by the Ministry of Social Policy on the living standards of New Zealanders. Additional work being conducted by the Ministry includes investigating issues specifically raised by this study, examining the use and relevance of the Well-being Scale to describe the living standards of other subgroups in the population, and describing and understanding the living standards of older Māori.





# 1. Background and Introduction

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This chapter presents the background to the research project, overviews the New Zealand policy context, introduces the objectives of the study, and outlines the structure of the report. The convention adopted throughout this report is the use of the term “older people” to refer to people aged 65 years and over. This report provides a full technical account of the research. A summary report is also available which provides a more general description of the study and its findings. (Fergusson et al, 2001).

## 1.1 Background to the Project

The structure of New Zealand’s retirement income system has a number of unique features that make the pension system quite different from those of many other countries. Retirement policies have been the subject of vigorous political and public debate for more than ten years, with a history stretching back much longer.<sup>1</sup>

Much of the debate has been concerned with how pension policy should be set for future generations of retired people, given an ageing population and the prospect that public pension transfers could absorb a rising proportion of national production. There has, however, also been some debate over how best to ensure that today’s older people enjoy a reasonable standard of living in their retirement.

Numerous changes in policy have affected public pension entitlements, other retirement services and the tax and regulatory environment for private savings. Yet these changes have occurred with only limited information on the situation of the people most immediately affected; those who are currently retired, or contemplating retirement.

For several years, concern has been expressed that not enough is known about the living circumstances of older people in New Zealand to help inform the public debate and the development of policy. For example, in 1997, when reporting on retirement income policies, the Periodic Report Group<sup>2</sup> had to rely on a few indirect indicators to assess the living standards of people receiving the public pension. The Group commented:

There is no comprehensive survey of the current living standards of retired people. Such a survey would have been useful for our assessment (Periodic Report Group, 1997, p32).

Finally in 1999, the Super 2000 Taskforce initiated research on the living standards of older people, centred on the commissioning of a comprehensive new survey. The Taskforce was a group established to develop a stable retirement income framework with sufficient flexibility to cope with a changing environment and able to assist New Zealanders to plan for their retirement with confidence. It commissioned a review of research methods (Assendelft, 1999) and concluded that research similar in approach to a much earlier study; the 1974 Survey of Persons Aged 65 and Over (Department of Social Welfare, 1975), would produce the most useful information.

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<sup>1</sup> See subsequent sections for a summary of the characteristics of the New Zealand pension system, some historical background and recent policy changes.

<sup>2</sup> A group of experts established under a 1993 Accord on retirement income policies to report to the signatories to the Accord (most major political parties).

Although the Super 2000 Taskforce was later disbanded, this survey and the associated stream of research is being continued under the auspices of the Ministry of Social Policy. This report represents the completion of the first part of this research programme.

### 1.1.1 Historical Background

New Zealand's public pension system has its origins in the late 19<sup>th</sup> century.<sup>3</sup> Growing numbers of poor older people towards the end of that century triggered a vigorous debate on the best way to provide for income support in old age. As a result of this debate, an Old Age Pension was introduced in 1898. To be eligible one had to be 65 or older and be "of good character" (a provision intended to exclude criminals, drunkards, and wife-deserters). The Old Age Pension was subject to a rigorous income and assets test.

The Old Age Pension remained in force until 1938, when a two-tier public pension system was introduced. This system consisted of an income tested Age Benefit available at age 60. At age 65, those not entitled to the Age Benefit by reason of the income test became eligible for a small Universal Superannuation payment. Although initially less generous than the Age Benefit, the value of Universal Superannuation rose over time. By 1960, the two pensions had similar gross rates of payment, but because of different tax and income testing treatments, it remained advantageous for 65 year olds with low other incomes to stay on the Age Benefit. However, the overlap of entitlement between the two benefits was confusing, and in the opinion of some an income tested benefit was demeaning. The 1974 Survey of People Aged 65 Years and Over found that a number of people were on Universal Superannuation, even though they would have been better off on the Age Benefit to which they were entitled.

In 1975 the third Labour government introduced a compulsory contributory pension scheme, but this was repealed by the incoming National government in 1976 and replaced by a new universal pension scheme.

The new pension scheme, National Superannuation, set the parameters for the current debate on retirement incomes policy. National Superannuation was a flat rate public pension paid from general taxation to all eligible New Zealand residents aged 60 or older. The rate of payment of National Superannuation for a married couple was set at 80 percent of the gross average wage, and, while the amount was taxable, it was not subject to an income or asset test. By any standards this represented a generous level of public pension provision.

The National Superannuation scheme involved a massive increase in costs as the result of higher rates of payment, the abolition of the income test, and the increased number of people eligible for it. Over time the gross cost of public pensions rose from about four percent of GDP in 1975 to nearly seven percent in 1978.<sup>4</sup> This increase in costs, coupled with a deteriorating economy, gave rise to increasing concerns about the fiscal affordability and the sustainability of National Superannuation.

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<sup>3</sup> For a more detailed historical overview and a full bibliography see Preston, D. *Retirement Income in New Zealand: the Historical Context*. Office of the Retirement Commissioner. 1999.

<sup>4</sup> A relatively small part of this increase reflected the shift from a non-taxed Age Benefit to taxable National Superannuation.

Between 1979 and 1992 the generosity of National Superannuation was gradually pared back, both in terms of its rate of payment relative to the average wage and through the introduction of a superannuitant surcharge. However, the impact of these changes was partially offset for high income earners by a reduction in the top marginal tax rate during the 1980s from 66 percent to 33 percent. The surcharge was in effect an income test that reduced the amount received by those with significant other income. In 1991 the rates of payment were temporarily frozen and the timetable for raising the age of eligibility above 60 years was accelerated and advanced, to start in 1993 and reach 65 years in the year 2001.<sup>5</sup>

While these policy changes, especially raising the age of eligibility, succeeded in reducing the prospective cost of the public pension scheme, they also created considerable tensions and uncertainty regarding future entitlements, placing pension policy in the political limelight. The 1990s saw three separate Government taskforces on retirement incomes policy. In 1993 an attempt was made to remove retirement income policy from the political arena through a multi-party Accord on retirement income policy.

The first taskforce; the Taskforce on Private Provision for Retirement, was set up by the Government in 1991 to look at how to improve private provision for retirement, including the interface between private provision and public provision. The Taskforce rejected tax incentives and the concept of a compulsory contributory scheme in favour of the existing model of voluntary private savings and a flat-rate, tax funded public pension scheme. The Taskforce on private provision also endorsed the 1991 change to the age of eligibility for National Superannuation.

In 1993 the three major political parties (Alliance, Labour, and National) signed an Accord on retirement income policies. Later, the United party also signed. The intent of the Accord was to remove retirement income policies from the political arena, and in this respect it was initially successful. From 1993 to 1996 there was a degree of stability in retirement income policy built around the core public pension, renamed **New Zealand Superannuation (NZS)**, an agreed indexation arrangement, and the superannuitant surcharge.

The superannuitant surcharge, had been introduced in 1985 as a way of income testing National Superannuation.<sup>6</sup> The surcharge was levied through the tax system rather than the benefit system. Private income over a given threshold was subject to an additional 25 percent tax up until the point where the tax paid by a person equalled the value of the public pension that they received.

Between 1985 and 1997 there were several changes in the rate of surcharge and the thresholds at which the surcharge cut in, with a general tendency towards a tightening. This trend was sharply reversed in 1997 with a substantial rise in the cut-in threshold in 1997, and the abolition of the surcharge in 1998.

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<sup>5</sup> A gradual increase in the age of eligibility for NZS had been legislated in 1989, to commence in 2006.

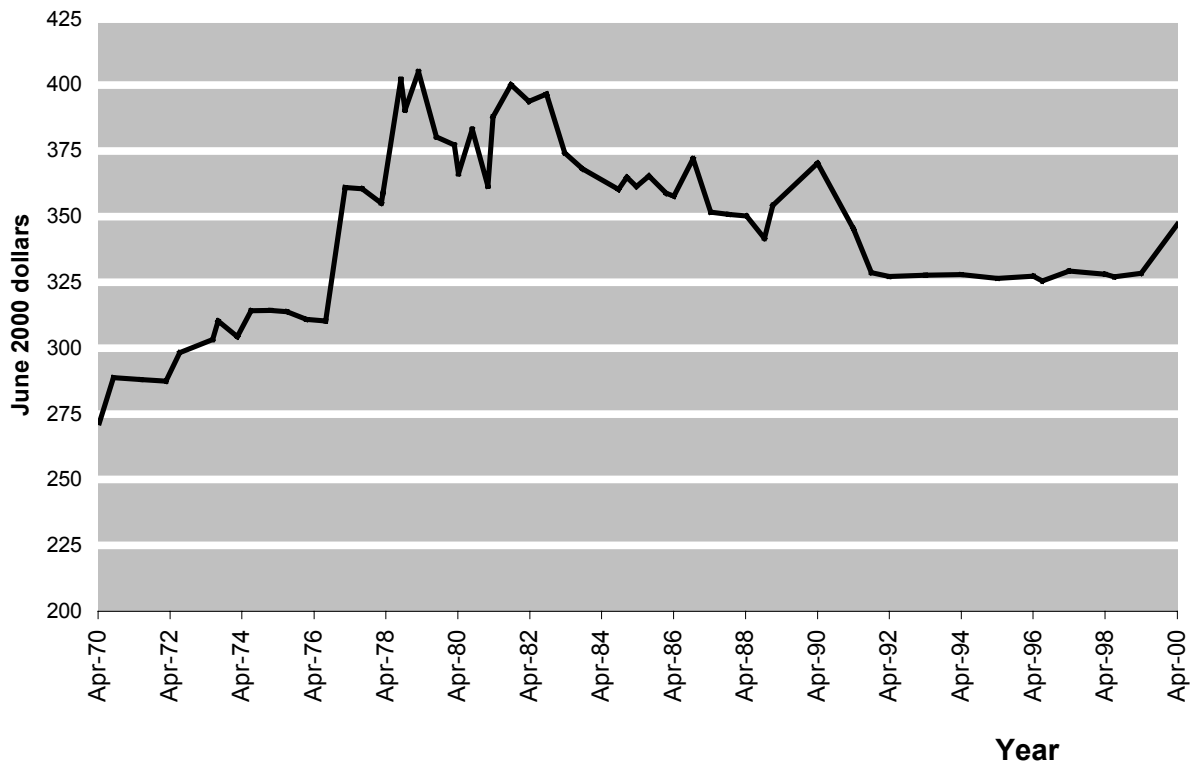
<sup>6</sup> The income test for the surcharge operated through the tax system as a tax “clawback” rather than through the benefit system, and was less severe than the income tests for working-age benefits. The high cut-in threshold and low abatement rate has led to the surcharge being characterised as an “affluence test”.

1997 also saw a public referendum held on the possible introduction of a compulsory retirement savings scheme that would have eventually replaced NZS. The compulsory scheme was rejected in the referendum by 92 percent of voters.

With the abolition of the surcharge in 1998, New Zealand again had a universal pension. However, the rate of payment for the public pension was lower, both in constant price terms and relative to wages, than was the case with the original National Superannuation of the 1970s.

Recently New Zealand Superannuation (NZS) rates have been increased again in real terms as a result of changes in the indexation formula.<sup>7</sup> Change over time to the level of New Zealand Superannuation (married couple rate, net of tax) is depicted in Figure 1.1. The current policy is that NZS rates are adjusted annually by the percentage movement in consumer prices, but are kept within a band that ensures that the amount for a couple stays within the range of 65 – 72.5 percent of the average, ordinary time weekly earnings of a full-time equivalent worker, both net of tax. In terms of an individual's earnings replacement rate, NZS is equivalent, for a married person, to a notional replacement rate of 32.5 percent of current national average earnings.<sup>8</sup>

**Figure 1.1: Inflation adjusted (real) levels of New Zealand Superannuation (married couple rate, net of tax) 1970-2000**



<sup>7</sup> In 1998 the previous government had amended the indexation formula in a way that would have extended the constant real rate of NZS for several more years before it would start to rise in line with real wage growth. In 2000, the new government set new, higher NZS rates that effectively reverted to the earlier formula.

<sup>8</sup> Assuming that NZS is taxed at the primary rate.

### 1.1.2 Characteristics of the New Zealand Pension System Today

New Zealand's public pension system can be described as a pay-as-you-go, tax funded, universal, flat-rate, defined benefit scheme. The government does not operate any "second tier" mandatory, earnings-related contributory pension scheme. Membership of private pension schemes, along with other forms of individual saving, is entirely voluntary. There is no subsidy or concessional tax treatment for contractual private saving.<sup>9</sup>

#### Payments

The government provides a standard dollar amount, known as New Zealand Superannuation (NZS), to every individual aged 65 years and over who meets the eligibility test for periods of residence in New Zealand.<sup>10</sup> This amount is paid two-weekly. It is not subject to any income or asset test, nor is it confined to people who have retired from the workforce, as people 65 years and over can receive NZS and continue in employment without penalty.

NZS is subject to the normal rates of personal income tax.

The standard amounts of NZS payable during the year ending 31 March 2000, the period this research generally relates to, are presented in Table 1.1.<sup>11</sup>

**Table 1.1: Standard amounts of New Zealand Superannuation payable during the year ending 31 March 2000**

Category	Annual gross amount	Weekly gross amount	Weekly amount net of tax <sup>1</sup>
A single person, living by himself/herself	\$13,274	\$255.27	\$212.69
A single person who is sharing accommodation with other adults	\$12,158	\$233.80	\$195.84
A married couple, both partners qualified for NZS <sup>2</sup>	\$19,982	\$384.28	\$325.58
<i>Each partner gets:</i>	<i>\$9,991</i>	<i>\$192.14</i>	<i>\$162.79</i>

Note 1: This is the amount net of tax assuming that NZS is the primary source of income. Where a superannuitant has significant other taxable income, their NZS can be taxed at a higher marginal rate of tax, leaving a smaller net amount.

Note 2: Married couples and couples living together are entitled to the married rate for NZS. Where one partner is qualified for NZS and the other is not, other amounts and options apply. The qualified partner may receive the 'each partner' amount, or the couple may opt for a combined amount of \$16,142 but subject to an income test on their combined income.

<sup>9</sup> With the introduction of a 39 percent top marginal tax rate in 2000, there is now a minor tax advantage to superannuation for those on the 39 percent tax rate. Superannuation fund contributions by employers and fund earnings are taxed at 33 percent.

<sup>10</sup> People need to have lived in New Zealand for at least 10 years since age 20, five years of which were since age 50. In practice, more than 95 percent of people aged 65 and over living in New Zealand receive NZS.

<sup>11</sup> Since March 2000, the NZS amounts have been increased twice. The main survey period for this research spanned 7 February to 7 April 2000. There was an increase in NZS payment from 1 April 2000. Respondents were asked about income and circumstances in the previous 12 month period, therefore for the few respondents interviewed in early April, up to one week of the 12 month period may have related to a different NZS amount. From 1 April 2001 a couple receives a gross annual amount of \$22,296.

One key result of New Zealand's pension system is the relatively concentrated distribution of incomes among the retired population today.<sup>12</sup> The combination of universal public provision, reaction against the superannuitant surcharge and the absence of tax concessions for private saving means that private provision in New Zealand generally fulfils only a supplementary role. Hence, income variation among superannuitants is relatively limited when compared to the rest of the population. However, it is noted that although the income distribution is generally concentrated close to the level of NZS, the wealthiest five percent of the older population have relatively high levels of income and assets.

### **Funding**

NZS is funded entirely from general government revenue and the expenditure on NZS payments is appropriated by parliament annually. Unlike most public pension schemes, no direct contributions are levied on employees or employers and there are no earmarked payroll taxes.

A Bill is currently before Parliament that, if passed, will establish a New Zealand Superannuation Fund. The purpose of this Fund is to allow some of the future fiscal cost of NZS to be brought forward and financed out of current tax revenue. It will not, however, alter the fundamental character of the system or the entitlements.

### **Other income assistance and support services**

A range of supplementary assistance programmes and support services are available for people experiencing financial hardship, including older people. These include an accommodation supplement (subsidy), access to more heavily subsidised state-owned rental accommodation, special needs grants, a disability allowance and a higher subsidy on medical costs (through a community services card). Support services include respite care, mobility aids and district nursing services. In addition, some war veterans who were injured during their service receive a war disablement pension.

## **1.2 Research Objectives**

This research was developed to provide information for the policy development and review work of the Super 2000 Taskforce and to inform public debate more generally about issues regarding policy for older New Zealanders. The Taskforce was interested in the distribution of living standards of older people and the determinants of variation in living standards to understand more about the relationship between supplementary assistance and New Zealand Superannuation. A key focus of the research was information about current income and other factors such as assets and savings as potential determinants of variation in living standards.

A requirement of the research was that the information that was obtained could be used to make reasonably accurate statements about the situation of Māori as the tangata whenua<sup>13</sup> of New Zealand as well as non-Māori. Disparity of outcomes between Māori and non-Māori had been demonstrated in a range of areas including health, education and welfare (Te Puni Kokiri, 1998). The living standards research provided an opportunity to further

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<sup>12</sup> For a more detailed breakdown of the incomes and assets of the older population see Chapter Four.

<sup>13</sup> Indigenous peoples.

investigate disparities between older Māori and non-Māori and to explore the determinants (including cultural) of any difference in living standards between these groups.

In addition, the Taskforce had a desire for comparative information about living standards from the working-age (18 to 64 year old) population so that the living standards of older people could be interpreted relative to the rest of the New Zealand population.

Information was also sought about the antecedents to variation in living standards in older people. A longitudinal survey would be a more suitable approach for investigating how factors over time (such as savings behaviour) impact on living standards. However some information, as feasible, was obtained for the research.<sup>14</sup> When the Taskforce was disbanded, this research was transferred to the Ministry of Social Policy.

The objectives of this study are to:

1. develop, validate, and calibrate a standard of living measure;
2. measure the standard of living of older people generally and of sub-groups of older people;
3. investigate the factors that underlie living standard differences for older people generally, and for sub-groups of older people;
4. compare the living standard of older people with the living standards of other groups.

The research involves the construction of a scale (called the material well-being scale) to describe the broad spectrum of older New Zealanders' living standards. As the primary focus of the research is to inform debate, the analysis does not define a particular point on the scale as indicating poverty. However, an illustration is provided about the way in which the information can be used to consider different poverty or hardship thresholds in the living standards distribution of older people.

A standard of living indicator approach to measure living standards was adopted as the one best suited for the purposes of this research. However, there are a variety of approaches that can be taken using the data that has been collected that will provide additional perspectives and augment the findings of this initial investigation. The factors underlying living standards differences that were investigated include level of current income, and assets and savings. The impact of social and demographic groupings such as ethnicity, gender, age, household composition and socio-economic status were also taken into account.

The analysis reported here only includes a preliminary consideration of the information from the supplementary samples of Māori aged 65 to 69 years and working-age people. This data is used to provide indicative sub-group comparison information. Further separate analysis exercises are being undertaken by the Ministry of Social Policy that involve a fuller analysis and consideration of the information gained in the supplementary surveys.

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<sup>14</sup> Although identified as desirable, information to enable reasonably accurate statements about Pacific and Asian peoples was not collected due to sampling difficulties as these groups comprised only 1.5 and 1.3 percent of older people in New Zealand respectively.

The analysis presented in this report provides an initial investigation of the data collected from the living standards' surveys that have been conducted. The database is a product of the research that is available to researchers to undertake further analysis.<sup>15</sup> It is hoped that the opportunity to explore this database will be taken up by interested researchers both to investigate other approaches to living standards and to explore some of the questions raised in this report.

### **1.3 Structure of the Report**

The structure of the remainder of the report comprises a description of the development of the research and the collection of data, followed by a presentation of the analysis and results with a subsequent discussion chapter and concluding comments.

Chapter Two presents an overview of different approaches to measuring living standards, the rationale for the approach adopted for the research, and the basis for the potential factors underlying variation in living standards that were investigated. Chapter Three outlines the main survey of older people and two supplementary surveys (older Māori and working-age people) that were undertaken and the information that was collected.

Chapter Four presents a general description of the sample and an overview of the social, health, economic and material variations amongst older people. This is followed by a description of the development of the material well-being scale which combines information from a range of different living standards items (Chapter Five). Chapter Six describes the living standards of older people in relation to the scale, provides a profile of the characteristics of people at various points on the material well-being scale, and an indication of how older Māori and non-Māori are faring relative to younger (working-age) people. An analysis of the factors underlying variation in living standards is then presented and discussed (Chapter Seven). In the final chapter concluding comments are made. A reference section and a glossary of terms are presented at the end of the final chapter followed by appendices.

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<sup>15</sup> The datasets for Survey of Older People and older Maori will be made available in conjunction with the release of this report. The dataset for the Survey of Working-Age People will be made available later in 2001 following the completion and release of a detailed analysis by the Ministry of Social Policy.