



24th November 2015

Submission

To: Statistics New Zealand
From: Superannuation and Taxation, National Advisory Group
Grey Power New Zealand Federation Incorporated
Address: 69 Parker Avenue, Levin 5510
email: lew.rohloff@xtra.co.nz

Household living-costs price indexes – public consultation

Thank you for the invitation to comment on this ongoing development.

As submitters to the 2013 Review of the CPI we confirm our continuing interest in refining statistical measurement of inflation to determine the varying impact on identified household categories.

Recognising that Grey Power does not presently have internal access to the guidance of a statistician, aspects of the methodology contained within the background papers is beyond my immediate comprehension.

The partial enlightenment we have gained from the suite of background papers provided during the 2013 Review of the CPI and with this most recent advancement, has impressed upon my organisation the present inadequacy, by ILO standards, of the cost of living statistics presently available in New Zealand. We trust that in these endeavours to improve the relevant measurements, statisticians and the wider academic fraternity are motivated by social considerations. While academia continues to invite our comment, we will continue to offer a community perspective on the outcomes of data collection methodology applied to determine inflationary impact on the living costs of population and income groupings.

In the time available, no attempt has been made to ascertain a common viewpoint of our nation-wide affiliated associations. Indeed, it probably is not practicable to attempt a Grey Power consensus on the questionnaire.

As author of this submission, my commentary is derived from personal experience gained through monitoring the important relationship between inflation indexation and annual adjustment of New Zealand Superannuation. Further, in offering this response it is noted that the purpose of the Household Living Cost Prices Index will be to determine the impact of inflation on the target households rather than the absolute 'costs of living.'

Please accept that the opinions expressed in this submission are not necessarily the formal position of our organisation.

I respond as follows:

(2.1) Beneficiary group definition.

While we are concerned about the increasing impoverishment of 'beneficiaries' we have no mandate to advocate for these groups.

(2.2) Superannuitant group definition.

Response to Question 2.2a

"Households that receive a minimum proportion of their total income from a New Zealand government pension."

Why:

The alternative options would permit the inclusion of substantial 'other income' to the extent that there would be no clear distinction between 'Superannuitant Households' and the 'Income Quintile' households.

Response to Question 2.2b

"100%"

Why:

The greatest need is to quantify the impact of inflation on superannuitant households which have no 'other income' resources. However, we note that this option might be limited to 75% to access the available minimum sampling.

Response to Question 2.2c

"New Zealand Superannuation only."

Why:

New Zealand Superannuation is the generic 'government provision for retirement income' and is the universal standard provision for income sufficiency for qualified persons no longer participating in the paid work force. The inclusion of 'other government pensions' might undesirably distort the core value of the proposed index.

On reflection this consideration suggests the option we selected in Question 2.2a above should be amended so that *"a New Zealand government pension"* becomes *"New Zealand Superannuation."*

(2.3) Māori group definition.

Comment on these definitions is beyond my competence and outside the mandate of Grey Power New Zealand Federation.

(2.4) Income group definitions

Response to Question 2.4a

Presently, we have no 'primary use' for income quintile indexes but their availability might lead us to better assess the variable impact of inflation on material living standards of household income quartiles.

(2.4.1) Income equalisation

Response to Question 2.4b

“Yes”

Why:

We presently see no reason to change the equalisation standard.

(2.4.3) Empirical comparison of equalisation scales

Response to Question 2.4c

“No preference”

Why:

This question exceeds my competence to answer. However, we would be concerned that any change to the ‘methodology of equalisation’ might introduce undesirable distortion of existing relativities.

2.4.4 Disposable income

Response to Question 2.4d

“Gross income seems to be the only available common base and is our default preference.”

Why:

It seems unlikely that an accurate determination of ‘disposable’ income or ‘discretionary’ expenditure can be determined on the basis of ‘income tax’ deduction alone.

Further, the incidence of consumption taxes (gst), local government rates (taxes), insurances and energy charges have reached proportions exceeding tax on incomes and, in terms of low income household’s disposable income, regional variation causes further distortions.

The existing assumption, ‘disposable income’ equates to ‘after tax’ income, seems to be flawed. If the existing ‘disposable income’ standard is retained it will not represent reality.

(2.4.5) Alternative definitions of ‘rich’ and ‘poor’

Response to Question 2.4e

“Yes”

Why:

Expenditure is the better approach. Perhaps, expenditure and income could be averaged but would it not be more accurate to simply determine expenditure separately for each income quintile?

Our reason for this observation corresponds to the considerations identified in the questionnaire.

(3) Aggregation method

Response to Question 3.1

"a typical household within each group."

Why:

It seems desirable that conclusions derived from HLPI's by the 'democratic' method should be available for comparison with the 'global' conclusions to be drawn from the CPI.

(4) Practical application of a 'payment' approach

(Questions 4.1 to 4.3 inclusive)

The questions asked in this section exceed my competence.

I am inclined to place my trust in ILO preferences and the aspirations of qualified economic commentators for elevating data collection to standards comparable with international best practise.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lew Rohloff', with a stylized flourish at the end.

Lew Rohloff

Chair

Superannuation and Taxation, National Advisory Group

Telephone: 06 368 3070

Email: lew.rohloff@xtra.co.nz