

13 August 2008

Diana Crossan  
Retirement Commissioner  
Retirement Commission

[Diana.Crossan@retirement.org.nz](mailto:Diana.Crossan@retirement.org.nz)

Dear Diana

**Re: Draft National Strategy for Financial Literacy**

I am writing in response to the email received on 20 November 2007 regarding the invitation for feedback on the *Draft National Strategy for Financial Literacy* document.

Overall, Business New Zealand welcomes the development of a national strategy for financial literacy. We believe the Retirement Commission has compiled a well thought-out and considered draft document which should provide a strong basis for improving financial literacy for all New Zealanders. There are only a few points we wish to raise, mostly of a commentary nature.

First, Business New Zealand approves of the clear and concise vision for the strategy, which is stated as "*personal financial wellbeing for New Zealanders*". Also, we agree with the mission statement, namely that "*New Zealanders are financially well-educated and can make informed financial decisions throughout their lives*". The thrust of the mission statement has become more pertinent than ever, given the multitude of financial factors that New Zealanders are increasingly asked to make decisions on, such as KiwiSaver, financial products and vehicles and long-term savings issues for an increasing life expectancy.

As outlined in the strategy map under '*extending delivery*', Business New Zealand agrees that the Retirement Commission needs to continue to work with employers, unions and industry groups to decide on tactics most suitable for delivering financial education/information to workers. More specifically, of the priorities by way of recommendations outlined, recommendations 10 and 11 of the draft strategy involving implementation are particularly pertinent to business. These recommendations state:

Recommendation 10

*That community partnerships be delivered with those working on the ground to identify locations and channels where financial education/information may most effectively be delivered for those not in the workforce or not able to access financial education/information at work.*

#### Recommendation 11

*That the Retirement Commission continue to work with employers, unions and industry/groups to decide the tactics most suitable to delivering financial education/information to their employees.*

Business New Zealand agrees that the make-up of New Zealand's business can make coverage of educative initiatives in the workplace difficult. However, it is also important to bear in mind that while we are a country of small-medium sized enterprises (97.1% of enterprises employ fewer than 20 workers), the majority of employees are actually employed within large businesses. For example, the latest Business Demography statistics show that 69.1% of all workers are employed by businesses that employ 20+ workers. In fact, 46.4% of workers are employed by businesses that employ 100+ workers, which come to 2,125 enterprises. Therefore, a concentrated campaign that goes out to over 2,000 businesses could pick up close to 50% of workers. In addition, lessons and/or advice workers pick up from educational initiatives in the workplace are often filtered through to their immediate and extended family. This may be viewed as a proxy way in which to reach those who would otherwise be formally involved in educational initiatives.

At the other end of the business scale, there are over 315,000 businesses that are sole traders. This would mean the dissemination of educational initiatives would start and finish with the person in charge of the business, which may make reaching this group easier. Overall, adding the employee count for large businesses and sole traders together means there is the potential to reach roughly 75% of people involved in some capacity in the workforce. This provides a solid base on which to work and Business New Zealand would be keen to engage with the Retirement Commission to address this issue.

Despite the potential base of people with whom it would be relatively easy to initiate contact, the example provided for recommendation 11 in the draft document highlights a key area that first needs to be well planned and discussed with the business community. The example states that although employers were keen to receive and disseminate information on KiwiSaver, they "*did not want other financial topics to be addressed*". Employers will typically be receptive to providing information that has a direct bearing on their day-to-day operations, such as KiwiSaver. However, broadening this out to wider financial topics, where the perceived relationship may not be as strong is a much more difficult task. When time and resource issues that can interfere with employees day-to-day duties are taken into account, resistance in this area is not surprising. As stated on page 4 of the document, any strategy should not involve a prescriptive approach, especially given the already high number of regulatory and compliance costs that businesses have to

deal with on a regular basis. Instead, businesses need to see how lifting the financial literacy of their workers will positively affect their business.

Last, Business New Zealand wishes to be included as an official supporter of the national strategy, and therefore we welcome the use of our name to endorse the strategy in the document.

We thank you for the opportunity to comment.

Regards,

A handwritten signature in black ink, appearing to read 'P. O'Reilly', with a long horizontal stroke extending to the right.

Phil O'Reilly  
**Chief Executive**  
Business New Zealand