

The Business of Ageing

Realising the economic potential of older people in New Zealand: 2011–2051



MINISTRY OF
SOCIAL DEVELOPMENT
Te Manatū Whakahiato Ora



OFFICE FOR SENIOR CITIZENS
TE TARI KAUMĀTUA
Administered by the Ministry of Social Development

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Published

January 2011 by:
Ministry of Social Development
PO Box 1556
Wellington 6140
New Zealand

www.msd.govt.nz

ISBN

978-0-478-33517-0 (Online)

978-0-478-33516-3 (Print)



Contents

Executive summary	1
What is the purpose of this report?	3
What will an ageing New Zealand look like?	4
The value of older workers	5
Population ageing and the labour market	5
Working age – when does this end?	5
Older people in the workforce: what drives participation?	6
Workforce issues for key sectors	8
Workforce issues across regions	8
The health impacts of working beyond age 65	9
Can older workers be the solution?	10
Marketing to mature consumers	13
International recognition by policymakers of the mature consumer market	13
New Zealand opportunities	14
The effectiveness of marketing to mature consumers	14
How is the baby boom generation different?	15
The baby boomer consumer market: not homogenous	17
Potential growth areas	17
Projections of economic contributions of older New Zealanders from 2011 to 2051	19
Proportion of older people in the labour force	19
Education and skills of older workers	19
Economic contribution of older New Zealanders	21
Expenditure and consumer market contribution of older people	25
Regional impact	27
Where to next?	28
Recognising the contribution of older New Zealanders	28
What can we learn from international responses to population ageing?	28
What can employers do?	29
What is Government’s role?	30
What can businesses do?	31
Baby boomers: where to from here?	32
Bibliography and further reading	33
Appendix one: Population projections of older people by age group 2006–2051	38
Appendix two: The projected economic contribution of older New Zealanders 2006–2051	40

“Governments around the world need to invent a new future to tackle the needs and possibilities of an ageing population.

Business as usual is just not an option.

A 70-year-old of today expects a very different role to what their parents experienced. We need to be brave enough to invent a future that is not simply a different shade of the past.”

John Beard

Director

WHO Department of Ageing and Life Course



Executive summary

The first baby boomers – the generation born between 1946 and 1964 – will reach 65 years in 2011. This will drive major demographic, economic and social changes:

- the number of New Zealanders turning 65 in the 12-month period June 2011 to June 2012 is expected to be 18 per cent higher than in the preceding 12-month period¹
- by 2031, the number of New Zealanders aged 65 and over is expected to exceed one million, almost double the current number
- an increase in the labour force participation rate of older people from 16 per cent in 2010 to 26 per cent by 2030 could offset the growing demands for funding New Zealand Superannuation over this period.

The challenges of funding the health care and pension needs arising from this demographic shift are well-documented², but what do we know about the economic opportunities? Is there another side to the story: will baby boomers redefine what it means to turn 65 and cast aside the concept of retirement, choosing instead to blend work and leisure into their late 60s and even 70s? Baby boomers have redefined every life stage they have passed through – why shouldn't this continue past the age of 65?

This report presents new research undertaken by the Ministry of Social Development on the potential future economic contribution of older people, focusing on two opportunities for New Zealand's growth over the next 40 years. These are to:

- **increase the number of older people who choose to remain active in the workforce:** to make the most of older peoples' expertise and experience employers will need to demonstrate more flexibility
- **tap into the growing consumer market:** baby boomers will be healthier, better educated and have more spending power than any other generation reaching 65 in New Zealand's history.

This research models three scenarios which indicate that over the next four decades from 2011 to 2051, older New Zealanders³ may make a significant contribution to the economy:

- 7–10 per cent of the labour force could be aged 65 and over by 2051, up from 3–4 per cent in 2011
- their earnings from employment could rise from just over \$1 billion to about \$10 billion⁴
- tax paid on earnings from employment could increase from about \$200 million to about \$1.8 billion

¹ MSD estimates that 47,370 people will reach the age of 65 between July 2011 and June 2012 (based on Statistics New Zealand population projections data).

² Treasury (2009) *Challenges and Choices: New Zealand's Long-term Fiscal Statement*, Treasury, Wellington.

³ The report focuses on New Zealanders aged 65 and older. Where it refers to "older workers" the emphasis is on the "younger old" (up to age 75). However, "mature consumers" refers to all people aged 65 and over.

⁴ Values are expressed in real 2006 dollars, adjusted for the expected real growth in the value of wages between 2011 and 2051.

- the value of unpaid and voluntary work by older people is expected to rise from an estimated \$5–6 billion to more than \$22 billion
- consumer spending by older people could rise from about \$11 billion to over \$45 billion
- spending on food and entertainment is expected to increase four-fold.

This report aims to highlight the value of older workers to employers. It aims to stimulate discussion and a better understanding of the potential of this growing consumer market for businesses. For policymakers and commentators it offers evidence of a different view of the contribution of older people in the coming decades.

Not all baby boomers may want to remain in paid work, but flexibility and changing attitudes will be key to harnessing the potential of those who do. New Zealand's economic competitiveness over the next 40 years will hinge on how we build on the skills, knowledge and economic power of its older people.



What is the purpose of this report?

This report aims to encourage discussion and highlight the potential of older people's contribution to the New Zealand economy. It offers insights into how our competitiveness over the next 40 years will hinge on building on the skills, knowledge and economic power of our older people.

It presents research undertaken by the Ministry of Social Development in early 2010. The research outlines how this contribution might look over the next four decades, and provides a platform from which to view two of the Minister for Senior Citizens' key priorities for older people. These are:

- to encourage employment of mature workers
- to change attitudes about ageing.

Government cannot work in isolation to develop these priorities into tangible actions. It is intended that this report adds to the body of knowledge that will stimulate thought and action among government agencies, NGOs, business groups and individuals.



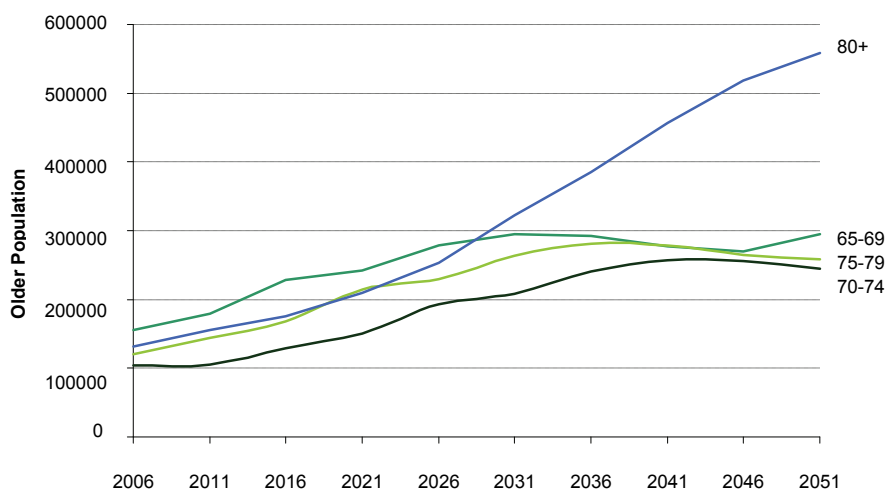
What will an ageing New Zealand look like?

The year 2011 will see “baby boomers” (born between 1946 and 1964) begin to turn 65. This heralds the start of a demographic and social change in New Zealand, which projects that:

- people aged 65 and over will comprise 13 per cent of the population in 2011, rising to 23 per cent by 2051
- by 2031, the number of New Zealanders aged 65 and over is expected to exceed one million, almost double the current number⁵.

Population ageing is common to all OECD countries, but New Zealand’s population is comparatively younger than most due to slightly higher fertility rates. Projected changes in age composition of New Zealand’s older population are shown in *Figure 1* below. These are based on the summary table in *Appendix one*, and form the basis for the research presented in this report.

Figure 1: Projected older population by age band 2006-2050



Significant changes in the age composition of older people will occur between 2011 and 2051:

- in 2016, nearly 33 per cent of older people will be aged 65–69, but by 2051 this proportion will have fallen to under 22 per cent
- people aged 80 and over will comprise 27 per cent of older people in 2011, rising to 41 per cent by 2051.
- between 2026 and 2031 the number of people aged over 80 will surpass the number aged 65–69 for the first time, and will continue to increase⁶.

⁵ Statistics New Zealand (2009e) *National Population Projections: 2009 (base) – 2061 (Series 5)*, Statistics New Zealand, Wellington.

⁶ Based on 2010 “medium” population projections provided to Treasury by Statistics New Zealand. These are broadly similar to the 2008-base projections contained in Treasury’s 2009 Long-term Fiscal Statement, but have slightly higher projected numbers of people aged 75 and over, consistent with upward revisions in projected longevity.

The value of older workers

More people are reaching 65 and continuing in paid work. The number of people aged 65 and over in paid work increased 148 per cent, from 25,000 in 1991 to 62,000 in 2006. By 2031 this is expected to reach 240,000, with growth slowing by 2051 as baby boomers age and exit the workforce. The proportion of the population aged 65 and over in the workforce increased from 6 per cent in 1991 to 12 per cent in 2006, and is projected to peak at 23 per cent in 2028⁷.

Population ageing and the labour market

The likely effects of population ageing on the labour market are that:

- a sizeable proportion of the workforce will be older, creating opportunities for workplace adaptation and job mobility
- we have an opportunity to redefine outdated concepts of sudden retirement
- employers will want continued access to the increasingly hard-to-replace skills of older workers who, in turn, have more interest in continuing to work than previous generations
- succession planning will be vital to ensure valuable knowledge and skills aren't lost as baby boomers leave the workforce
- the growth of the total workforce will slow, making New Zealand's economic growth more dependent on productivity improvements
- fewer workers will be available to support older people
- demand will increase for workers in age-related care and health services.

Detailed population projections over the next four decades are found in *Appendix one*.

Working age – when does this end?

Traditional economic analysis describes a “dependency ratio” comparing the number of people aged 15–64 (described as working age) to those outside this age group. This concept assumes people over the age of 65 are no longer economically active, and are dependent on the earnings of younger people. A projected increase in the population aged over 65 relative to those aged 15–64 (see *Table 1* below) may not equate to increased dependence. By 2051, our research projects that 7–10 per cent of the labour force could be aged 65 and over, up from 3–4 per cent in 2011 (see *Appendix two*). This will require a reframing of the concepts of retirement, dependency and economic contribution in later life.

This research suggests older workers will feature prominently in future workplaces – but not at the expense of younger workers. Over the next 40 years we are simply not going to have enough new

⁷ Statistics New Zealand (2010c) *National Labour Force Projections: 2006 (base) – 2061 Update*, 25 May 2010 (Series 5M). Statistics New Zealand, Wellington.

workers to replace the baby boom generation as they eventually exit the workforce. This means we need to focus on developing a highly-skilled, high-performing age-inclusive workforce.

Table 1: Projected population ratio by age		
	15-64 years	65+ years
2006	5 icons	1 icon
2020	4 icons	1 icon
2030	3 icons	1 icon
2050	2 icons	1 icon

Older people in the workforce: what drives participation?

To maximise the potential of older workers we need to understand the factors driving their participation and key features of the New Zealand setting which give us an edge over other countries.

Several changes in the 1990s encouraged workforce participation at older ages. These changes include: the increase in age of eligibility for New Zealand Superannuation from 60 to 65 between 1992 and 2001, anti-age discrimination legislation, no compulsory retirement age, and removal of the surcharge on additional income earned by superannuitants.

In addition to these structural factors, workforce participation rates by older people are influenced by:

- personal needs, choices and attitudes
- underlying demographic trends and social expectations
- attitudes of employers and other workers
- higher rates of education and skills compared with previous generations
- economic conditions and the availability of suitable work.

Since 2002, older people’s workforce participation has increased at a greater rate. Part of this is a response to labour and skills shortages.

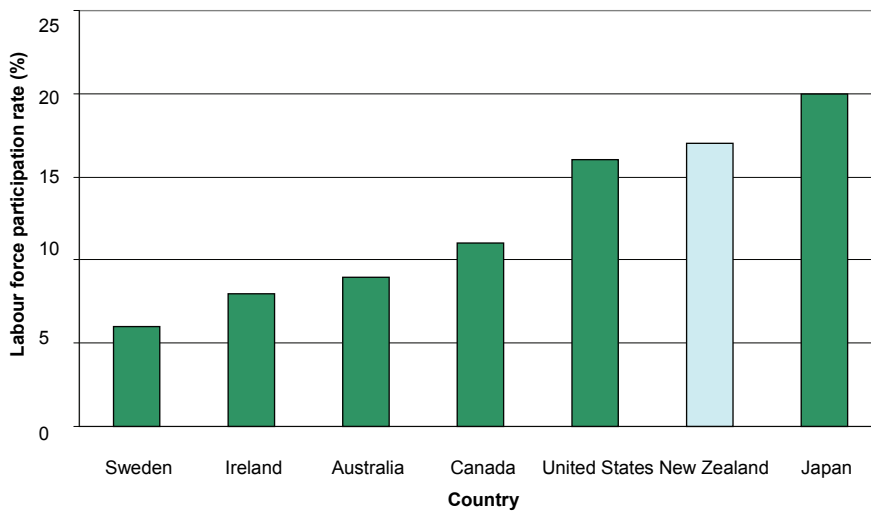
All these factors contribute to relatively high rates of workforce participation by New Zealanders aged 65 and over. An OECD⁸ study of employment rates of older workers reveals that the labour force participation rate for New Zealanders aged 65–69 is one of the highest.

Figure 2 below illustrates New Zealand labour force participation rates of the population aged 65 and over compared to selected OECD countries⁹. These comparisons need to be considered in view of different ages of pension eligibility and the financial impact of working beyond pension age.

⁸ OECD (2006) *Ageing and Employment Policies. Live Longer, Work Longer*, OECD, France.

⁹ Statistics New Zealand (2009c) *Labour Force Participation of New Zealanders Aged 65 Years and Over*, Statistics New Zealand, Wellington.

Figure 2: New Zealand labour force participation rates for people aged 65 and over, compared with selected OECD countries (in 2006)

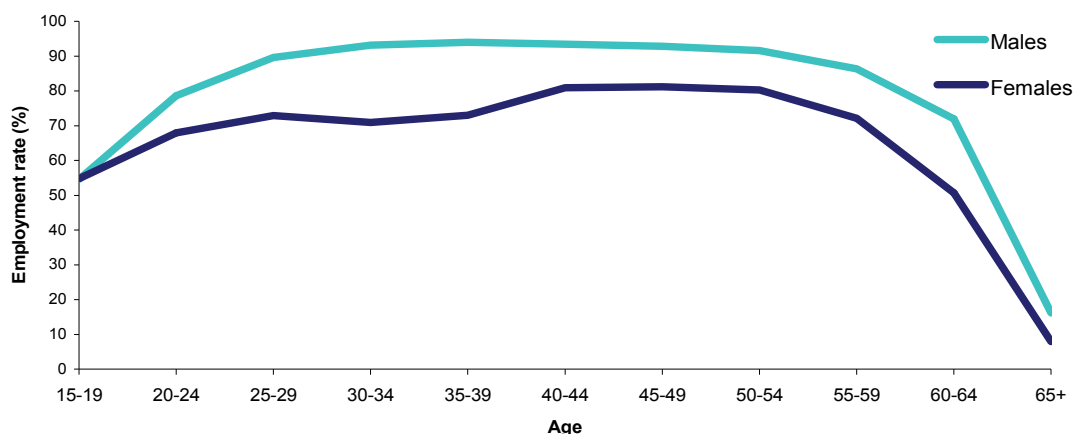


Source: adapted from Statistics New Zealand: *Labour Force Participation of New Zealanders Aged 65 Years and Over* (2009)

Participation rates vary significantly in this age group between genders. In December 2009 more than 22 per cent of men and 11 per cent of women aged 65 and over were in paid work. Workforce participation trends for 2009 by age and gender across the life course are shown in *Figure 3*.

Workforce participation rates for both men and women begin to decline by their mid-50s. In 2009, 80 per cent of people aged 55–59 were in paid work, dropping to 69 per cent by 60–64 years old and 16 per cent over 65¹⁰.

Figure 3: Workforce participation by age and gender, 2009



Source: Statistics New Zealand: *Household Labour Force Survey: December 2009 Quarter* (2010)

¹⁰ Statistics New Zealand (2010a) *Household Labour Force Survey: December 2009 Quarter*, Statistics New Zealand, Wellington.

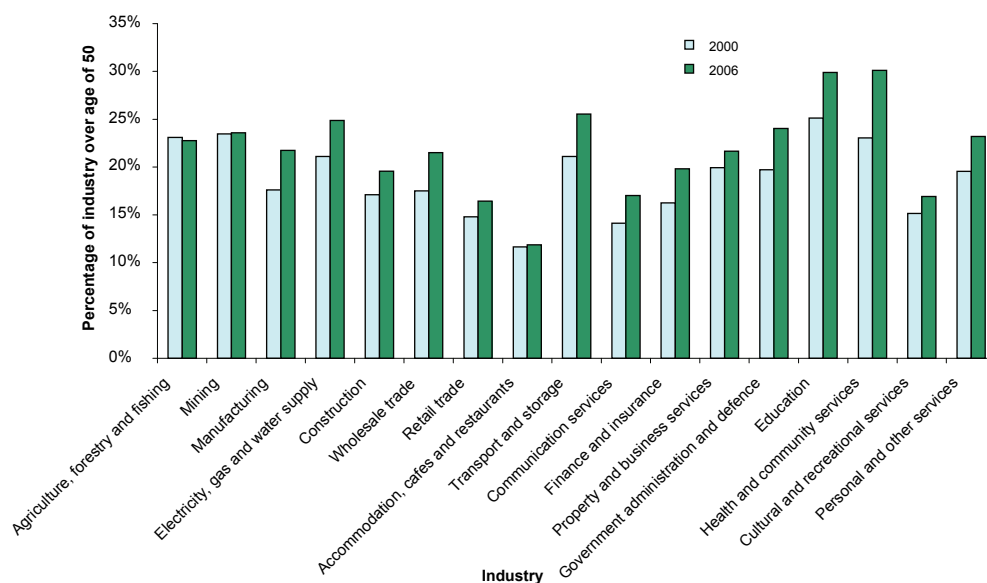
It is anticipated that baby boomers will continue in the workforce for longer, but growth in the total workforce may be expected to decline from 2011. As the bubble of baby boomers age, they will eventually exit the labour market. Though young people will continue to enter the workforce, it will shrink as the number of exits exceeds the number of entrants. This means we will have to produce the same, or more, output with fewer people which may impact on overall economic growth. Encouraging skilled workers to remain in the workforce beyond the age of 65 will help to address this issue as they will continue to contribute towards productivity improvements. In addition, older workers make a significant contribution by transferring skills and knowledge to younger workers.

Workforce issues for key sectors

Population ageing and changing workforce participation rates will impact some sectors more than others. Manufacturing, transport and storage, education and health and community services sectors currently have a relatively high share of older workers and are experiencing the most significant increases in the proportion of workers aged over 50 (see *Figure 4* below). As baby boomers begin to reach 65 these sectors will need to find ways of retaining workers and/or attracting new workers.

Health is one area where future workforce planning is critical. In addition to the ageing of the current health workforce, a proportionately larger older population will increase demand for health care and services.

Figure 4: Ageing workforce within industries in 2000 and 2006



Source: Department of Labour: *Workforce 2010: Forces for Change in the Future Labour Market in New Zealand* (2008)

Workforce issues across regions

Some regions of New Zealand are ageing more rapidly than others which may lead to greater impacts on the workforce in those areas. The numerical impact of population ageing in the Auckland region will be magnified given the projections of Auckland's future growth. However, because Auckland's population is currently younger than the rest of New Zealand's, the impact will be delayed compared to other regions such as Nelson, Marlborough and Bay of Plenty. Age composition in Auckland varies by

ethnicity and geography. Proportionally, there are more young people in the region's south and west, and a greater number of older people to the north¹¹.

The health impacts of working beyond age 65

Working beyond the traditional retirement age can have many positive effects on an individual's health and wellbeing, with the mix of effects depending on the individual's circumstances, the job and the workplace.

Older people continuing to work part-time after stepping back from full-time work is associated with fewer major diseases and functional limitations and higher satisfaction with retirement, compared to those who have fully retired from work. Studies also show that if this "bridge employment" is in the same career field then it has an even stronger association with improved mental health¹².

Choice or control over work transition is also seen to influence a person's health and wellbeing in retirement. Studies show that older people who work in low-stress jobs with the hours they desire experience better health¹³.

New Zealand research illustrates that "choice" is linked to wellbeing for older workers. Davey¹⁴ interviewed people who were "matched", in that they had the level of workforce participation they wanted, and those who were "mismatched", those who preferred a different level of workforce participation than they currently had. This included people who worked full-time but wanted to work part-time, people who did not work but wanted either part or full-time work, and those who worked but wanted to exit the workforce.

The study showed those who were "matched" had a higher level of wellbeing than those who were not. Those who enjoyed their work were more likely to want to continue; those who disliked their job or working conditions wanted to leave but were often limited by financial considerations.

There are many apparent benefits from participation in both paid and voluntary work after the age of 65, but less is known about at what age such benefits cease and how much work is too much. What is known is that variations within age groups are greater than those between age groups.

Some older people's capacity to work may be affected by poor health. New Zealand research shows that health status is a key factor in determining how long people remain in the workforce¹⁵.

Workers aged 65 and over have higher rates of work-related claims to the Accident Compensation Corporation (ACC) than any other age group (though the relationship between New Zealand Superannuation and earnings-related compensation limits both being paid simultaneously). In 2008

¹¹ Statistics New Zealand (2009d) Mapping Trends in the Auckland Region, Statistics New Zealand, Wellington.

¹² Zhan, Y et al (2009) Bridge employment and retirees' health: longitudinal investigation, *Journal of Occupational Health Psychology*, 14 (4):374–389.

¹³ Herzog, A, House, J & Morgan, J (1991) Relation of Work and Retirement to Health and Well-Being in Older Age. *Psychology and Aging* 6 (2): 202–211.

¹⁴ Davey, J A (2007) *Health, Work and Retirement Survey – Summary Report for the 2006 Data Wave: Qualitative Interviews*. Massey University, Palmerston North.

¹⁵ Ibid.

the work-related injury claim rate for this group was 185 claims per 1000 full-time equivalents. This was 29 per cent higher than those aged 15–25, 73 per cent higher than 25–34 year-olds and two-thirds higher than other age groups¹⁶. Also, older workers can take longer to recover from injuries. However, the data does not dissect the nature of work in which the injuries were sustained. More opportunities for suitable “lower risk” jobs could affect these rates.

Can older workers be the solution?

New Zealand can prepare for the demographic shift and associated rising government expenditure by improving work opportunities for older people. Given the already high participation rates for older people in New Zealand, maintaining high participation rates and removing obstacles to further participation will be key. Over the next few years increasing labour force participation by people aged 65 to 70 is expected. This is consistent with recent findings that just under half of all working 65-year-olds had a definite age in mind at which they would stop work completely, and relatively few envisaged working beyond age 70¹⁷.

Participation or productivity?

The challenges arising from the labour market effects of population ageing will require consideration of aspects of participation and productivity. Labour-intensive sectors, such as education, health and personal services, will need proportionally more new workers than other sectors to offset the withdrawal of existing workers. Labour-intensive sectors have limited ability to make productivity gains compared with less labour-intensive sectors. Other sectors may combine improved productivity with increasing participation, to make the most of existing workers while bridging gaps with extra workers.

Increasing participation rates

Inflexible work arrangements, negative attitudes (among both employers and co-workers), discrimination, and poor health are key barriers to increasing labour force participation among older people in New Zealand and overseas. Government, employer groups and employee organisations will need to develop policies and actions that address barriers to employment if older people are to participate more in the workforce.

Commitment to building on existing workers’ skills (where these are under-utilised), a flexible workforce, appropriate financial incentives, and improved workplace practices will be critical tools for managers facing population ageing in their industries.

A recent Ministry of Social Development survey into older people’s attitudes to work found that factors which would encourage them to stay in work included variable hours of work, more unpaid leave, work with less responsibility or physical demands, and working from home. It also found that the majority of 65-year-olds were in work, with few intending to stop work completely within the next year¹⁸.

Wider society can work to change attitudes and reduce discrimination, including avoiding assumptions and stereotyping in the media.

¹⁶ Statistics New Zealand (2009a) Injury Statistics – Work-related Claims 2008, Statistics New Zealand, Wellington.

¹⁷ Ministry of Social Development (2009) *To Work, or Not to Work? Findings from a Survey of 65-year-old New Zealanders*, Ministry of Social Development, Wellington.

¹⁸ Ministry of Social Development (2009) *ibid*

There is a potential downside if older people feel compelled to work longer or under difficult or inflexible working arrangements. Increasing workforce participation could conflict with family and voluntary community work – much of which comprises informal caring for others. The diversity of the older workforce and the interwoven factors affecting their work and retirement choices need to be better understood to develop appropriate work strategies.

Increasing productivity

Alongside participation, an emphasis on productivity can meet the challenges of population ageing through higher investment in capital and research and development, more innovative workplaces, improved education, opportunities for upskilling for all ages, and more efficient job markets that improve job matching.

Policies that improve the level of labour productivity could provide substantial benefits, increasing incomes and tax revenues. Increased productivity will be needed to keep abreast of rising health and New Zealand Superannuation costs¹⁹. New Zealand Superannuation is linked to wage growth and Treasury's Long-term Fiscal Model also assumes that health expenditures increase with incomes.

The challenge and opportunities of a rapidly ageing workforce are just one aspect of IBM's work in New Zealand giving business the tools, insights and inspiration to improve productivity and competitiveness.

As IBM Global Business Services Senior Managing Consultant Ross Pearce says:

“At IBM, we have had a few of our senior employees in recent times opt to retire, only to decide after a few months in retirement to get back in touch with us to ask about returning to work on specific, time-limited projects. We saw it as win-win, as our clients were delighted to have these specialists back.”

Positive attitudes, flexible approaches, and employees and employers willing to talk about new ways of working to meet growing business needs are crucial. Too often older workers are reluctant to talk to their employer about changes to work practices which will enable them to stay on.

Exploring the issue when IBM talks with clients about companies' organisational health, Ross Pearce asks questions such as:

- do you know your capability requirements, and how you will resource them?
- have you figured out ways of transferring knowledge and ways of extending working years?
- have you looked across the full spectrum of possibilities?

¹⁹ Rising New Zealand Superannuation costs are driven primarily by an ageing population, while rising health care costs are primarily affected by new medical technologies, rising consumer expectations and cost of labour.

There are three key areas where participation of an older workforce could be enhanced. These are:

- commitment to renewing human capital, for example, upskilling
- new technological adaptations for work environments, for example, ergonomic design for improved health and labour savings
- optimal work practices and arrangements such as flexible work arrangements and mentoring of younger workers.

It is not just older workers who would be encouraged through commitment to renewing human capital, new technology, and providing better work practices. Factors that increase productivity for younger workers may be different for older workers. Job-specific training for older workers and generic training for younger workers combined with practices that connect age groups will be the hallmark of efficient employers.



Marketing to mature consumers

Since the 1990s businesses have increasingly recognised the importance of developing products and services to meet the needs of mature consumers. Retirement village accommodation options are one recent example where a new concept has been developed in response to the changing demands of older consumers.

From 2011 onwards, the older consumer market will grow and change significantly. The tastes, preferences and consumer behaviour of older people in recent decades will not necessarily predict the demands of older baby boomers. The mature consumer market is predicted to be the only growth market in terms of demography, with younger market segments likely to remain static or shrink. This represents significant new opportunities for businesses that can recognise and adapt to the changing face of this market. Not only will the baby boomer generation increase the population over 65, they will command more resources than older people in the past.

International recognition by policymakers of the mature consumer market

As early as 1999 the Australian State and Territory Governments noticed the opportunities presented by an ageing population, and developed evidence and practical guidelines for Australian tourism businesses to make the most of older consumers²⁰. A full chapter devoted to the growing mature consumer market was published in a federal Australian survey entitled *Population Ageing and the Economy* in 2001²¹. This study found that many organisations may not appreciate that the demographic change as boomers reach age 65 will see the size of the older market increase much more rapidly than in the past. Combined with changing spending patterns this will accelerate business opportunities (and potentially reduce opportunities in younger markets).

Research undertaken for the Government of Western Australia has highlighted the projected growing net wealth of older people and their contribution to the economy over the next 20 years²².

The potential for marketing to older consumers has not yet been fully realised in the United Kingdom, though there is a clear message that more work and action are required to meet their needs²³.

United States employers and retailers have responded to the business opportunities offered by older consumers, with research on this sector being published as early as 1989²⁴.

²⁰ Golik, B (1999) *Not Over the Hill. Just Enjoying the View: A Close-up Look at the Seniors Market for Tourism in Australia*, Department of Human Services, Adelaide.

²¹ Access Economics Pty Ltd (2001) *Population Ageing and the Economy*, Commonwealth of Australia, Canberra.

²² Access Economics Pty Ltd (2007) *The State of Ageing in WA*, Office of Seniors Interests and Volunteering, Government of Western Australia, Perth.

²³ Metz, D & Underwood, M (2005) *Older, Richer, Fitter: Identifying the Customer Needs of Britain's Ageing Population*, Age Concern, London.

²⁴ Coleman, L J, Hladikova, M & Savelyeva M (2006) The baby boomer market. *Journal of Targeting, Measurement and Analysis for Marketing*, 14 (3):208.

Japan is ageing faster than any other nation and is well ahead in developing new products for older Japanese consumers, including products that accommodate their health, travel, care, and recreational needs²⁵.

New Zealand opportunities

The mature market presents opportunities for New Zealand businesses. There are some good examples in biotechnology, medical technology and robotics where New Zealand businesses and research institutes have understood, and begun to respond to, opportunities in the mature consumer market. The projections in the research in *Appendix two* show that this market is worth focusing on. More work is needed to understand how to approach and market to specific segments within the mature population.

Some initial work has been undertaken in New Zealand. In 2009 the Retirement Commission investigated the spending patterns of older New Zealanders and summarised its findings in model budgets and more detailed descriptions of case studies of older New Zealanders in different circumstances²⁶. The focus groups provided useful observations and highlighted older peoples' economising strategies, such as seeking out good deals in home maintenance and repairs, and having more time to shop around and bulk buy. Consistent with other studies, it found that people aged 65–74 spend, on average, more than those aged 75 and over.

In 2009 Nielsen Media Research undertook market research for the HOPE Foundation. The report segments the older consumer market in New Zealand based on survey data from Nielsen's Panorama database. Five groups are identified: traditionalists, paradoxical pensioners, active and aware, Kiwi battlers, and affluent investors²⁷. Among many opportunities with commercial and policy implications raised in the research, it highlighted the need for businesses to engage more effectively with older people in product and service delivery and design.

The effectiveness of marketing to mature consumers

Businesses have been accustomed to marketing to baby boomers when they were young. Businesses developed, and began reaping the benefits of baby boomers' consumer power from their late teens. Evidence suggests businesses evolved to meet the needs of this group as they aged, but have not kept pace as they contemplate older age, leading to a possible lack of commitment to this market in their retirement years²⁸.

The economic potential of the older market will not be realised if businesses marketing to the new generation of older people target them as a homogenous group. Mistaken generalisations about the needs and preferences of a new generation of older people could lead to poorly conceived products and services.

²⁵ High-Tech Future for Nippon's Elderly (2010, 28 March), *Sunday Star-Times*.

²⁶ Davey, J A (2009) *Expenditure in Retirement*, Report prepared for the Retirement Commission, Wellington.

²⁷ Sustainable Advantage Ltd & Nielsen Media Research (2009) *New Insights into the Experienced Generations: A Special Report into the Lives of the Over 65s and Considerations for Policy Makers, Strategists and Marketers*, prepared for the HOPE Foundation on Research and Ageing.

²⁸ Coleman, L J et al, op cit, p205.

Businesses that continue to prioritise selling to younger groups will find their market shrinks as the baby boom generation ages. Likewise market research surveys need to appreciate the size and growing significance of the 50-plus age group when collecting information on which to base product and service delivery to older people.

Many baby boomers feel ill-served by marketers' offerings. In a 2002 United States survey, 50 per cent rated marketers' understanding of their needs for new products as fair or poor, while 45 per cent thought advertising and public relations targeting baby boomers was fair or poor²⁹. The clothing industry is a good example of the need to understand what today's older people want to wear, which may not be what the previous generation of older people wanted³⁰.

It isn't just about the products on offer. Older people's retail service preferences may differ from younger people's. One internet survey reports that a vast majority of baby boomer women say that sales people are "indifferent, inexperienced, invisible or outright rude" when they shop at retail stores³¹. This could be driving baby boomer women to shop online, with almost two-thirds of the surveyed women purchasing some clothes online and 13 per cent purchasing online only. Online shopping from the comfort of home and the specific targeting inherent in the technology makes it ideally suited to reaching the older customer.

Older customers, not surprisingly, often prefer to be served by people their own age. Wal-Mart, a United States discount department chain, has recognised that having seniors as employees attracts older customers, and employ older people as greeters³².

One myth is that older people are more brand-loyal than other consumers, so there is less to be gained trying to change their established purchasing patterns. An American study showed that brand loyalty is actually better correlated with product category than age³³.

How is the baby boom generation different?

Baby boomers will live longer and be healthier than earlier groups of older people. This means that, within each cohort, there will be older people at different stages of their lives to market to. Some will still be fit and active, others will need more care and health interventions and many will be somewhere in between. The implication of this is that businesses will need to be more aware of the diversity of needs of baby boomers at different life stages.

Compared to the immediate post-war baby boomers, a United States study found later baby boomers:

- have higher same-age incomes
- are more racially and ethnically diverse
- are better educated
- are less politically active

²⁹ Willens, H (2003) Current Boomer Behavior and Attitudes: What the Surveys Show. In Harris L M (Ed) *After Fifty: How the Baby Boom Will Redefine the Mature Market*, PMP, New York, p53.

³⁰ Akers, S (2003) You Don't Look Fifty! What Boomer Women Want in Apparel. In Harris L M (Ed) op cit, 137–148.

³¹ Harris, L M (Ed) (2003) An Introduction: Connecting with the Boomers. In Harris L M (Ed) op cit, p5.

³² Coleman, L J et al, op cit, p198.

³³ Harris, L M (Ed) (2003) An Introduction: Connecting with the Boomers. In Harris L M (Ed) op cit, p5.

- have greater expectations for retirement, to lead more active and engaged lives
- expect to work either full-time or part-time in retirement³⁴.

The United States and New Zealand baby boom populations are broadly similar but there are inherent differences. Research indicates that New Zealand baby boomers are generally fitter and more physically active than their United States counterparts. New Zealanders are more outwardly focused and have a social conscience, but are less likely to pursue personal social causes to the extent Americans do. They also exhibit a greater degree of resilient optimism that has not been dented even by the 2009 economic recession that has hit their age group particularly hard³⁵.

Baby boomers are likely to spend more to maintain their good health and physical wellbeing, and will also have more money to spend on different services now that the kids are grown up. They may decide balancing atop a ladder is not so easy any more and be more likely to pay an expert for home and garden maintenance, according to Australian research³⁶.

As well as enjoying better health, they have longer life expectancy than any generation of older people before them. A 2001 survey of baby boomers in the United States found that 55 per cent watched what they ate, 52 per cent took vitamins or supplements and 49 per cent went walking three to five times a week to keep fit³⁷. This focus on health and vitality presents opportunities for fitness and sport enterprises that adapt as their customer base ages.

Not only will older people be healthier, they will also feel mentally younger than their age. This means that businesses need to tap into the views of older people, rather than rely on assumptions about their needs and wants based on the past. Tomorrow's 70-year-olds may actually perceive themselves to be much younger³⁸.

Baby boomers are likely to want to travel more, eat out and buy cars in greater numbers than earlier generations of retirees. Compared to the previous generation, baby boomers grew up in times of greater prosperity and are accustomed to getting their needs met, and plan to keep it that way after age 65. In the United States, 80 per cent took a holiday in the last year and 70 per cent took two or more holidays³⁹.

Trustworthy investment instruments will also find a ready market in older people⁴⁰, some of whom may have seen savings eroded in the global financial recession. There are numerous opportunities for businesses and products to help manage baby boomers' savings.

Baby boomers are also embracing new technology: in the United States 92 per cent owned a computer and three-quarters had internet access in 2000 – a far higher proportion than the whole

³⁴ Reed, T L (2003) The baby boom: a demographic portrait. In Harris, L M (Ed) *After Fifty: How the Baby Boom Will Redefine the Mature Market*, PMP, New York. 37–38.

³⁵ Buckland, S (2009) *Not the Retiring Sort: New Research into the Intentions and Aspirations for New Zealand Baby Boomers as the First of this Generational Cohort Approach Traditional Retirement Age*, report based on the New Zealand Boomer Dreams Study, p74.

³⁶ Access Economics (2001) op cit, p57.

³⁷ Willens, H op cit, p43.

³⁸ Social Issues Research Centre (2007) *The Freiretirement Generation*. Friends Provident, Oxford. 15–16.

³⁹ Willens, H op cit, p44.

⁴⁰ Sustainable Advantage op cit, 30–34.

population⁴¹. In 2005, 70 per cent of those aged 55–64 were internet users compared to only 25 per cent past the age of 65⁴². In New Zealand in 2006, 59 per cent of those aged 55–64 and 41 per cent of those aged 65–69 were internet users, rising to 74 per cent and 61 per cent respectively by 2009⁴³.

The baby boomer consumer market: not homogenous

Baby boomers over 65 will be as diverse as they were at a younger age. Segmenting baby boomers by life stage (such as working full-time, retiring or retired) or lifestyle rather than age bands would better convey the diversity of characteristics of interest to those offering goods and services to the mature market⁴⁴.

With growing longevity, and the prospects of extended healthy ageing, chronological age bands seem increasingly out of place. Life stages can be defined by health status, mobility, family responsibilities, financial status, and major life events such as the loss of a spouse (through divorce or death) or becoming a grandparent. Lifestyle segments can be defined by independence, self-sufficiency, attitudes and preferences. One study on mature consumers in Australia segmented the seniors' tourism market into vacationers, livewires, explorers and homebodies⁴⁵.

Potential growth areas

Businesses could benefit significantly by rethinking the products and services they offer to older consumers. This is particularly the case in areas where the tastes and preferences of the maturing baby boomers depart significantly from either those of earlier groups of older people, or today's younger consumers.

The market for mature tourists provides a good example of an opportunity for New Zealand, both domestically and internationally. A tourism industry that responds to the changing demands of baby boomers over 65 could have spin-off effects for other industries and stimulate regional economic growth.

A 2005 study of mature consumers in the United Kingdom identified marketing opportunities in leisure, entertainment, technology, housing, transport, health and beauty, consumer products, and financial services⁴⁶.

⁴¹ Willens, H op cit, p51.

⁴² Coleman, L J et al, op cit, 200–201.

⁴³ Statistics New Zealand (2010b) *Household Use of Information and Communication Technology: 2009*

⁴⁴ Social Issues Research Centre op cit, p52.

⁴⁵ Golik, B. op cit, p72.

⁴⁶ Metz, D & Underwood, M. op cit, 101–150.

Many New Zealand business interests are already actively pursuing mature consumer opportunities but there is unlimited potential in these areas, including:

- low-maintenance homes incorporating accessible, universal design features such as level entries and wider doorways
- flexible financial products, such as annuities products which convert a lump sum into a regular payment
- more competitive insurance products tailored to the 55-plus market
- age-friendly design in all consumer product categories, including simplified electronic products such as more readable phone keypads and easy-to-use TV remote controls.

The challenge for New Zealand businesses is to be alert to the changing trends and respond accordingly.



Projections of economic contributions of older New Zealanders from 2011 to 2051

This section describes the methodology used in the Ministry of Social Development's recent research which estimates the economic contributions people aged 65 and older might make to New Zealand's economy in the period 2011 to 2051. These contributions arise from two sources:

- the economic contribution from older people remaining active in both paid and voluntary work
- the value of the growing mature consumer market – the impact of spending power by older people.

The research on the projected economic contribution of older New Zealanders presents three scenarios for future labour force participation of people aged 65 and over – BASE, INTERMEDIATE and HIGH. Key assumptions in the analysis are in the box overleaf, and summary tables setting out the projected economic contribution of older people under each of these scenarios for the period 2006 to 2051 are in *Appendix two*.

Proportion of older people in the labour force

Three scenarios for labour force participation have been modelled in this research. These suggest that the proportion of older people in the New Zealand labour force could rise from 3–4 per cent in 2011, to 4–8 per cent by 2031 and further to 7–10 per cent in 2051.

Education and skills of older workers

Future labour force participation and the remuneration received by older people are likely to be linked to education and skill levels. Though projecting education rates (and hence future remuneration levels) appears superficially attractive, it presents many practical problems, including the need to forecast the rate of education acquisition among mature and older people. There is no publicly available information that projects skill and education levels among older people. We can, however, note the qualitative conclusions on this subject from Callister (2006) that:

- overall, evidence exists that many New Zealanders moving towards older age are better educated and more likely to be employed than previous generations, but the data shows considerable diversity. While some New Zealanders are moving towards older age richer, through better incomes or greater housing wealth, others appear to have seen their real incomes, and perhaps wealth eroded, primarily through changes in the labour market
- many New Zealanders are also heading towards older age living on their own. More research is needed to understand the long-term effects of these changes⁴⁷.

⁴⁷ Callister, P (2006) Are New Zealanders Heading for Older Age Richer, Better Educated and More Likely to be Employed? In Boston, J & Davey, J A (Eds) *Implications of Population Ageing: Opportunities and Risks*. Institute of Policy Studies, Wellington. Since then, the recession and finance company failures will also have caused losses.

Key assumptions underlying the analysis

Population projections

This study uses the latest “medium” population projections provided to Treasury in 2010 by Statistics New Zealand. These are broadly similar to the 2008-base projections contained in the Treasury’s Long-term Fiscal Model (LTFM), but have slightly higher projected numbers of people aged 75 and over, consistent with upward revisions in projected longevity⁴⁸. The population projections by gender and age group are contained in *Appendix one*.

Labour force participation rates

Three sets of assumed labour force participation rates for people aged 65 or more are central to the analysis. *Appendix two* details the three projections: BASE, INTERMEDIATE and HIGH. These are based on the following labour force participation rates:

- BASE projections assume an overall rise in average participation rates from about 12 per cent in 2011 to 13 per cent in 2031 and 18 per cent in 2051. These are the assumptions contained in Treasury’s LTFM
- INTERMEDIATE projections assume that average participation rates for older people will rise from about 18 per cent in 2011 to 23 per cent in 2031, falling somewhat to 20 per cent in 2051. These are based on figures supplied more recently to Treasury by Statistics New Zealand, and reflect a more buoyant view of New Zealand’s medium-term economic prospects and their impact on work availability for the younger 65–69 age group⁴⁹
- HIGH projections assume that average participation rates for older people will rise from about 19 per cent in 2011 to 26 per cent in 2031, steadying at 26 per cent out to 2051⁵⁰. These rates are taken from Paul, Rashbrooke and Rea (2006). The HIGH rates are optimistic but not totally implausible, as international comparisons provide examples where labour force participation rates for older people already average about 20 per cent⁵¹ (see also *Figure 2*, page 7).

It is worth noting that none of the current projections give substantial weight to the growth of labour force participation rates among older women. The projected differences between female and male labour force participation rates appear increasingly difficult to justify, given the ongoing evolution of the skills and participation rates among today’s younger women.

Unit of monetary value

For the purpose of this analysis, the chosen unit of monetary value is real 2006 NZ dollars, adjusted by five-yearly periods to 2050–2051 for the expected real growth in the value of wages (from Treasury’s LTFM).

⁴⁸ Treasury (2009) *Challenges and Choices: New Zealand’s Long-term Fiscal Statement*. Treasury, Wellington.

⁴⁹ Updated data provided to Treasury by Statistics New Zealand, 2010

⁵⁰ Paul, S, Rashbrooke, G, & Rea, D (2006) Retirement Incomes. In, Boston, J & Davey, JA (Eds) *Implications of Population Ageing: Opportunities and Risks*, Institute of Policy Studies, Wellington.

⁵¹ United Nations (2009) *World Population Ageing*, United Nations Department of Economic and Social Affairs, New York.

Economic contribution of older New Zealanders

Earnings from paid work and self-employment

The starting point for estimating the future earnings and income contributions of people aged 65 and over has been: “What will be the earnings and income levels of the group in future, given current earnings and income levels and their adjustment for population growth, variations in participation rates and expected increases in the real value of wages?”

Statistics New Zealand provides relevant data on the current earnings and income patterns of the older population within its New Zealand Income Survey tabulations⁵². The data indicates that, in the sample households, 15.5 per cent of the older population of 520,100 in June 2009 were in paid employment.

For wages and salaries and self-employment, median earnings were much higher than average earnings – suggesting a long tail of low earners and a potential high spike of relatively well-remunerated work participants. *Table 2* also shows that work makes a considerable difference to incomes.

Table 2: Income for older population (New Zealand Income Survey)⁵³

Average income (before tax) as at June 2009	Per week	Per year
Participants in workforce		
Wages and salaries	\$411	\$21,372
Self-employment	\$179	\$9,308
Other income	\$400	\$20,800
Total for participants in workforce	\$994	\$51,688
Non-participants in workforce	\$406	\$21,112

Figures 5–7 below illustrate projected changes in estimated earnings by older people, using the three labour force participation rate scenarios. Using the BASE scenario *Figure 7* projects total earnings from paid work are expected to rise from just over \$1 billion in 2011 to about \$7 billion by 2051. Based on the HIGH scenario, earnings from paid work could reach over \$10 billion.

⁵² Statistics New Zealand (2009f) *New Zealand Income Survey, June 2009 Quarter*, Statistics New Zealand, Wellington.

⁵³ In 2009 dollars; may not sum to total due to rounding.

Figure 5: Projected real value of earnings from paid work by older people

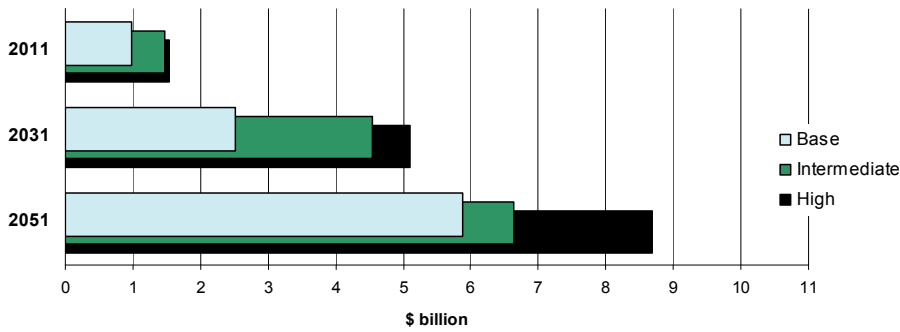


Figure 6: Projected real value of earnings from self-employment by older people

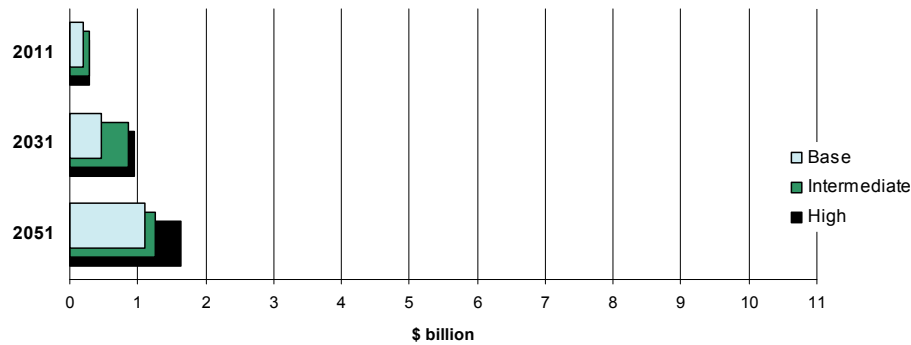
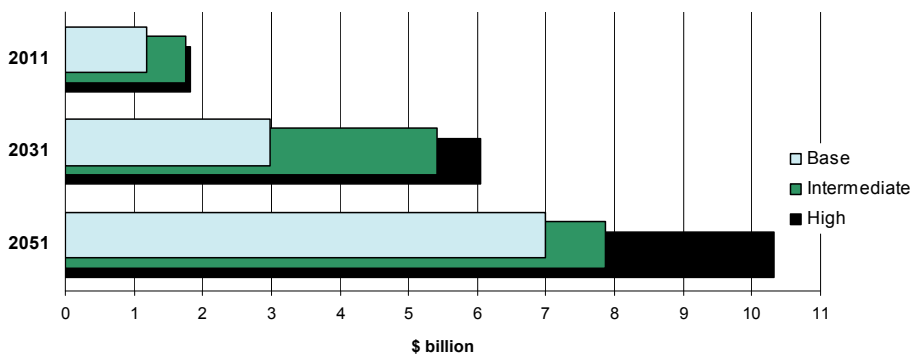


Figure 7: Projected total real value of earnings from all employment by older people



Tax receipts

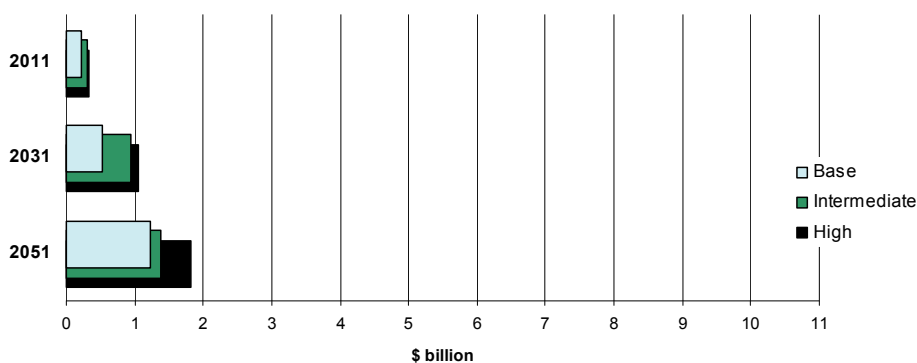
The estimates of income tax receipts have been derived from projected earnings from paid work and self-employment.

The weighted composite of the 2009 paid employment and self-employment remuneration levels is \$17,733 per participant per year. Income tax was then assessed at 15 per cent up to \$9,500 per year, and 21 per cent thereafter. A full assessment of the tax contributions of older people must also consider Goods and Services Tax (GST) paid on expenditures. This, in turn, requires the inclusion of

all forms of income, including New Zealand Superannuation, other government transfers, investment income and other income sources (eg gifts and asset realisation)⁵⁴.

Figure 8 below illustrates estimated taxation revenue from older people, using the three labour force participation scenarios (appropriately deflated and indexed). Using the BASE scenario, taxation revenue from paid work could increase from about \$200 million in 2011 to about \$1.2 billion in 2051, or reach \$1.8 billion based on the HIGH scenario.

Figure 8: Projected income tax from paid work by older people



The work of Paul, Rashbrooke and Rea (2006) suggests that increasing labour force participation rates among older New Zealanders could make a substantial contribution to funding the incremental increase in New Zealand Superannuation payments to older people expected over the next 40 years – through the flow-back in PAYE (pay as you earn) tax and GST. Their calculations were based on projected participation rates of mature and older workers (aged 55 and over)⁵⁵.

The current research presented in this report confirms that raising labour force participation rates among older people could contribute to offsetting the future cost of New Zealand Superannuation – but only up to 2031. An important additional finding presented in this report is that demography eventually swamps labour force participation. It is likely that there will be limited opportunities for raising participation rates and tax payments beyond 2031, given the increasing number of people aged 75 or more (assuming current foreseeable levels of infirmity and morbidity).

The value of unpaid and voluntary work

Attaching an economic value to unpaid and voluntary work is highly speculative, but indications are that older New Zealanders make considerable unpaid and voluntary work contributions.

It is quite logical, for example, to attribute a zero value to unpaid work on the grounds that it is generally an essential of life undertaken by all and that often it has no opportunity cost in terms of remunerated work forgone. The latter point is particularly relevant in the case of older people.

⁵⁴ The assumptions model tax and GST prior to the Budget 2010 changes.

⁵⁵ Paul, S, Rashbrooke, G, & Rea, D, op.cit.

The first national Time-Use Survey conducted in 1998–1999 provided relatively comprehensive data on the unpaid and voluntary work contributions of New Zealanders⁵⁶. It suggested that:

- on average both genders contributed about seven hours of work daily, with men spending two hours a day more on paid work than women, and women spending two hours a day more on unpaid work
- as people age, the decline in work contributed is far less than the loss in participation in paid work. It also showed that as people age there is less gender difference in unpaid work contributions
- in the 65–74 age group, women were assessed as contributing about 5.3 hours per day in unpaid work (37.1 hours per week) with men contributing about 4.4 hours per day (30.8 hours per week). For people aged 75 or more, however, both men and women were assessed as contributing similar amounts of unpaid work (4.2–4.4 hours per day or an average of about 30.1 hours per week)
- valued at about \$9.50 per hour (the cost of a housekeeper in 1999) the total value of unpaid work was assessed at about \$40 billion in 1999 (equivalent to over two million jobs and 39 per cent of GDP)
- the overall contribution of the 65-plus age group to the overall total of unpaid work was about 15 per cent – worth an estimated \$6 billion per year.

The most recent data from the 2006 census on patterns of unpaid and voluntary work indicates that about 62 per cent of people aged 65 and over were involved directly in household duties and 15 per cent in voluntary work through clubs, societies and churches⁵⁷.

Looking at caregiving, nearly 14 per cent of those aged 65 and over were involved in looking after dependent children (either within or outside the household) and more than 13 per cent assisted in looking after people who were ill or suffering from disability. Some 40 per cent of these provided care to someone within their household – presumably their partner or spouse in most instances⁵⁸.

Pending the release of the second Time-Use Survey in 2011⁵⁹, contribution rates found in the 1998–1999 Time-Use Survey have been applied to the projections of people in the 65–74, and 75 and over age groups. Taking a conservative approach in the base case, these unpaid work rates have been assumed to apply to a five-day week over a 48-week working year and to be valued at \$10 per hour⁶⁰. An adjustment has been made to reflect the projected share of older people who are engaged in paid work and unavailable for unpaid work.

Based on these assumptions, *Figure 9* below projects the real value of unpaid and voluntary work by older people, using the three labour force participation rate scenarios. Using the BASE scenario this contribution is expected to rise from \$5–6 billion in 2011 to over \$22 billion in 2051. Not surprisingly, the two other scenarios project a decrease in the value of unpaid and voluntary work due to the likely impact of higher workforce participation.

⁵⁶ Statistics New Zealand & Ministry of Women's Affairs (2001) *Around the Clock: Findings from the New Zealand Time-Use Survey 1998–1999*. Statistics New Zealand, Wellington.

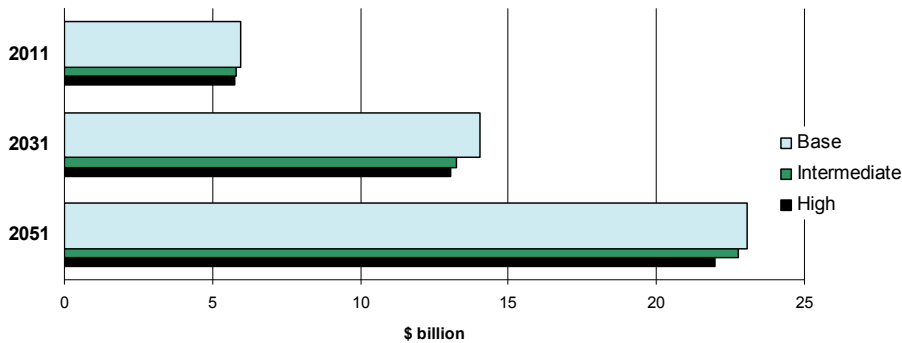
⁵⁷ Statistics New Zealand data from 2006 Census: Patterns of Unpaid and Voluntary Work Over 65s.

⁵⁸ Ibid.

⁵⁹ Results from the second Time-Use Survey 2009–2010 are expected in mid-2011.

⁶⁰ The estimates would be 50 per cent higher if the contributions were valued at \$15 per hour, giving an estimated value of unpaid work by older people of nearly \$34 billion by 2051.

Figure 9: Projected real value of unpaid and voluntary work by older people



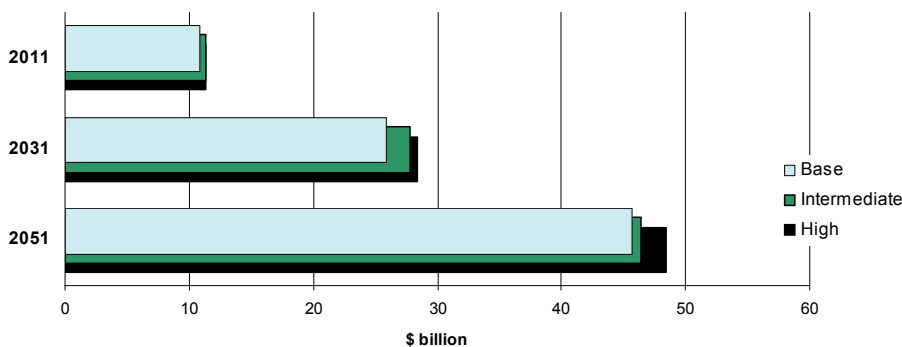
Expenditure and consumer market contribution of older people

To a large degree, income (adjusted for tax) provides a means of projecting expected expenditure levels for older people, particularly as it is reasonable to assume that for most older people virtually all income will be allocated to consumption (with low levels of saving, and likely ongoing net dis-saving/divestment).

Income available for expenditure

Adjustments also clearly need to be made to estimate overall incomes by including government transfers (especially New Zealand Superannuation payments), investment income and other transfers, including gifts and the realisation of assets. Tax payments on income from paid employment and self-employment are assessed as reducing the level of income available for expenditure. On this basis, the projected income (after tax) available to older people for expenditure (using the BASE scenario) is expected to rise from about \$11 billion in 2011 to over \$45 billion by 2051. This is illustrated in *Figure 10* below.

Figure 10: Projected after tax income available to older people for expenditure



Consumer market contributions

Indicative average expenditure patterns have been built up from models developed by Davey (2009) which are based on discussions with focus groups of older people⁶¹. The models apply only to the 87 per cent of older people who own their houses without a mortgage.

The data suggests that older people put a high value on running a car and local trips (16 per cent of expenditure) and entertainment (19 per cent). This leaves about 22 per cent of average income allocated to food and groceries, clothing, footwear and personal care. Setting aside gifts and donations of 2.5 per cent of income, the remaining 40 per cent of income is allocated to insurance, utilities, housing overheads (eg rates and repairs) and medical payments.

There is little evidence of high levels of disposable income among the bulk of older people. By and large, the evidence confirms the view that New Zealanders reach retirement age with modest levels of savings and the prospect of relatively low ancillary earnings, paid work and self-employment. The spending patterns of older people at present are, therefore, quite closely related to less affluent members of the general population, with the provisos that they are:

- largely mortgage-free (unlike younger groups)
- unlikely to save significant amounts.

Consumption data suggests that generally older people will continue to live a modest “subsistence-plus” lifestyle into the foreseeable future. There are no obvious indicators of increasing overall levels of savings and retirement provision despite the likelihood that in future older people will be more diverse than in the past. Despite the relatively low levels of individual spending, the aggregate figures are clearly significant overall in terms of market contributions and, therefore, of considerable interest to business and retailers.

Projected consumer spending by older people is illustrated in *Table 3* below. This reflects the BASE projections for the labour force participation rate. If labour force participation rates rise, commensurate with the alternative INTERMEDIATE or HIGH participation rate projections, the market contributions can be expected to be proportionally greater.

⁶¹ Davey, J A (2009) *Expenditure in Retirement*, report prepared for the Retirement Commission, Wellington.

Table 3: Projected real consumer expenditure by older people by category (\$ billion)

Expenditure category	2011	2031	2051
Insurance	0.65	1.56	2.75
Utilities	1.82	4.34	7.66
Housing overheads (rates, repairs)	1.36	3.23	5.71
Food and groceries	1.63	3.89	6.87
Car and transport	1.75	4.17	7.37
Entertainment	2.06	4.91	8.68
Clothing and footwear	0.36	0.86	1.51
Personal care	0.39	0.94	1.66
Medical	0.57	1.35	2.38
Gifts and donations	0.26	0.62	1.10
Total	10.85	25.85	45.70

Regional impact

Further work is required to study the impact of migration on the regional distribution of spending. The somewhat outdated statistics on regional population net losses and gains are indicative only, but show that Auckland and Wellington suffer the largest losses of people in the 45-plus and 65-plus age groups as people retire from the metropolitan centres.

By contrast, Bay of Plenty (ie Tauranga), Northland, Waikato, Tasman and Marlborough and Canterbury gained more older people⁶². This means these areas are likely to provide greater opportunities for marketing products and services to older people.

⁶² Statistics New Zealand (2009b) *Internal Migration of New Zealand's 65+ Population*, Statistics New Zealand, Wellington.



Where to next?

This report incorporates new research undertaken by the Ministry of Social Development and draws on other New Zealand and international research on the economic contribution of older people. While not a comprehensive economic analysis of population ageing in New Zealand, it is intended to be a starting point for discussion and further research. It highlights a number of key considerations for employers and employee groups, government agencies, businesses, and baby boomers themselves.

Recognising the contribution of older New Zealanders

The rapid growth in population ageing as baby boomers reach age 65 presents challenges for public spending. This report presents the other side of the coin: the growing economic and social benefits that older people bring to their families, communities and the economy. As well as contributions through increased participation in paid work, older people also contribute significantly to their communities. They bring wisdom and experience and contribute through their volunteer work and helping their extended families. Many older people support others to participate in paid work by caring for children and other help.

Between now and 2031, there is a window of opportunity to change attitudes and to remove obstacles for those who choose to work. This research endorses the conclusions of Paul, Rashbrooke and Rea (2006). An increase in the labour force participation rate of older people from 16 per cent in 2010 to over 26 per cent by 2030 could offset the projected shortfall⁶³ in funding New Zealand Superannuation over this period.

What can we learn from international responses to population ageing?

New Zealand has an opportunity to take action to harness the full economic potential of older people. If we do not, productivity and economic growth are likely to be constrained and our living standards may fall in relative terms. Many OECD countries facing similar challenges have initiated a range of responses to ageing issues. These include:

- promoting age-friendly infrastructure
- creating flexible workplaces
- reforming pension systems
- introducing active ageing policies
- removing barriers to older worker employment such as removing mandatory retirement, providing tax credits, and informing employers about the benefits of older workers.

The recent global economic downturn has accelerated these responses. Both Australia and Korea have considered ageing workforces as part of their population ageing strategies. Finland, Japan and

⁶³ Paul, S, Rashbrooke, G, & Rea, D, op.cit.

the United Kingdom have explicit initiatives to tackle the ageing workforce itself. Specific initiatives include:

- Australia's introduction of a work bonus in 2009 to allow working pensioners to keep more of their pension while working⁶⁴
- the United Kingdom's Opportunity Age⁶⁵, a broad multi-faceted approach to population ageing, identifying housing, crime and transport as issues to be addressed
- Finland's whole-of-government National Programme on Ageing Workers was launched in 1998 with the slogan: "Experience is a national asset". By expanding employment prospects and changing attitudes to early retirement, in five years the programme increased both older peoples' labour force participation rates and the average age of retirement⁶⁶
- France, Luxembourg and Finland each reducing implicit tax rates on continued work, making work more attractive and raising the opportunity cost of early retirement
- financial incentives for those who choose to claim pensions at a later age introduced in the United Kingdom, Germany, France, the United States and Spain
- a comprehensive programme of age-positive initiatives in the United Kingdom⁶⁷.

What can employers do?

Smart employers will recognise that older workers may need more workplace flexibility to juggle different priorities and competing demands than younger workers. There are positive spin-offs for employers who lead the way in work-life balance.

Employers who do a few small things differently will future-proof their human resources and low staff turnover and new recruitment costs. Part-time hours, episodic work, a different role, extended annual leave – all these components of work design could encourage older people to remain active in work. A shift in attitudes towards older workers is required. They can add value and increase productivity of younger workers through sharing their skills and expertise.

⁶⁴ The Work Bonus was introduced on 20 September 2009 as part of the Australian Government's Secure and Sustainable Pension Reform package. For pensioners entitled to the Work Bonus, only half of the first \$500 of gross employment income per fortnight is counted in assessing their rate of pension.

⁶⁵ Department of Work and Pensions (2005) *Opportunity Age: Meeting the challenges of ageing in the 21st century*. Department of Work and Pensions, London

⁶⁶ Rix, S E (2005) *Issue Brief: Rethinking the Role of Older Workers: Promoting Older Worker Employment in Europe and Japan*. AARP Public Policy Institute, Washington: IB Number 77: 15–16

⁶⁷ Age Partnership Group (2007) *APG Products Evaluation Phase 2*. prepared for the Department for Work and Pensions, London. www.agepositive.gov.uk

Asda, a United Kingdom grocery store chain, has gained an internationally-renowned reputation for actively recruiting and retaining older workers. By recruiting older workers Asda mirrors its customer base more closely, resulting in increased customer satisfaction, lower staff turnover and increased productivity and bottom-line. As Asda spokesperson Rachel Fellows says:

“There were a few nay-sayers who told us productivity would drop, that we’d have more absences and less motivation. In fact, the reverse has happened.”

Asda has created a range of flexible working options reflecting that a large proportion of its older workers do not want full-time employment.

As well as offering unpaid leave for grandparents and carers, Asda allows its employees to take “Benidorm leave”, where their job is kept open for them while they take a few months off. Another innovation is the “seasonal squad”, where people can choose to work for the 10 busiest weeks of the year without having to leave and rejoin the company.

What is Government’s role?

By acting as a catalyst, the Government could encourage older New Zealanders to remain in paid work.

Population ageing will drive up service demand from older New Zealanders. While the projected increase in demand for health services is well-documented, the baby boom generation is entering retirement with different expectations and aspirations. Baby boomers are likely to demand higher quality and a greater range of services than previous generations.

New Zealand will also need to respond to growing numbers of older people actively seeking employment, including seeking different jobs (perhaps part-time or less physically demanding work). Currently the Ministry has just over 7,000 people aged 60 or over registered as job seekers – less than 6 per cent of the current job seeker register. Less than 1 per cent of these are 65 or over, but numbers are expected to grow substantially over the next few decades as the workforce ages.

To deliver effective services, Government will also need to prioritise infrastructure, transport, housing and access to services to enable older people to actively participate and maintain wellbeing and independence.

As an employer, the Government has the opportunity to act as a catalyst by prioritising workplace best practice and providing more flexible options for older people to remain in the public sector workforce. This will be especially critical in areas with looming skill and labour shortages, particularly in the health and education sectors. In 2004 an Australian Commonwealth Government department developed a Mature Workers Strategy to support greater career and lifestyle choices for staff considering retirement⁶⁸. Transferring knowledge, mentoring and encouraging employment beyond the usual retirement age were features of this initiative, together with a Mature Workers Alumni Association – a register of retiring staff who want to be considered for later employment within the department.

⁶⁸ FaHCSIA (2004) *Mature Workers Strategy*. www.fahcsia.gov.au

The Equal Employment Opportunities (EEO) Trust promotes equal employment opportunities so New Zealand employers can make the most of the increasingly diverse workforce. Each year EEO Trust Work & Life Awards showcase employers who lead the way in making the most of their diverse workforces. These awards have been influential in increasing awareness of the business benefits of supporting diversity and helping employees meet their commitments outside work as well as at work, particularly in relation to flexible working practices.

While no award specifically focuses on ageing workforce issues, four of the six award categories offer innovative organisations a chance to celebrate achievements that respond to the challenges and opportunities facing older workers.

What can businesses do?

Market, design, and social research will help businesses target their products and services to the changing needs of the growing mature consumer market.

With more money to spend, the mature consumer market is important to all retail sectors. They are not just buying for themselves: grandparents are significant buyers of toys and gifts for their grandchildren. Savvy businesses will ensure mature consumers are well served.

Better marketing to older consumers is about meeting their needs. Care needs to be taken that undue advantage is not taken of the vulnerabilities of older people in marketing products and services to them. It is about providing older people with what they really want to help expand their choices and opportunities to enjoy their retirement years.

To put more New Zealand businesses on the front foot to grow this market, there are lessons to be learned locally and from around the world as businesses adapt to mature consumers across a wide range of sectors.

Mark and Nadine Adams from Paperplus Barringtons in Christchurch have reported that paying attention to mature consumers has paid dividends. As a SuperGold business partner they offer cardholders discounts and as Mark says:

“If you look after this group, provide them with a genuine and sincere offer or discount then I guarantee you that your business will be as good as gold.”

Mark and Nadine have noticed that by attracting mature consumers their store has become a real meeting place for older people and more people are travelling to the store because of the special offers for mature consumers. Mark is so passionate about the mature consumer market that he persuaded the Christchurch metropolitan Paperplus stores to collectively organise a full-page newspaper advertisement in the local paper targeted at SuperGold Card holders.

Baby boomers: where to from here?

New Zealand baby boomers do not view themselves as “old”, and are unwilling to step back entirely and let the next generation take charge, according to a 2009 study⁶⁹. The study also found that baby boomers are not relying on the next generation to generate the income required to keep them in the style they require, and they expect to pay their own way all their lives.

If the action taken by baby boomers reflects these aspirations, the implications for business, Government, the voluntary sector and other age groups are significant.

Families, community groups, clubs, marae, blogs, churches and other fora will be places where the aspirations of older people will be debated and discussed.

Recognising the issues facing older workers, in 2010 the New Zealand Council of Trade Unions developed the Age Okay! pamphlet.

In it three people share their work stories. In one story a 48-year-old staff nurse highlights how younger baby boomers are thinking about changing their work demands to suit their life stage, and how their experience, skills and desire to participate might best be harnessed to respond to emerging skills shortages.

By challenging stereotypes and providing options for employers to explore to help them retain their older workers, the CTU is adding to New Zealand’s growing awareness of the ageing population and work.

⁶⁹ Buckland, S. op cit, p75.



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Appendix one: Population projections of older people by age group 2006–2051⁷⁰

⁷⁰ Based on 2010 “medium” population projections provided to Treasury by Statistics New Zealand. These are broadly similar to the 2008-base projections contained in Treasury’s 2009 Long-term Fiscal Statement, but have slightly higher projected numbers of people aged 75 and over, consistent with upward revisions in projected longevity.

Population projections of older people by age group 2006-2051

Age	2006	2011	2016	2021	2026	2031	2036	2041	2046	2051
Older males	75,620	87,500	110,660	117,260	133,350	140,300	137,230	130,360	127,640	141,730
70-74	57,390	69,330	80,700	102,590	109,360	124,910	131,840	129,420	123,230	120,940
75-79	47,570	49,040	60,100	70,710	90,630	97,490	112,040	118,740	117,110	111,740
80+	48,370	61,370	71,770	88,000	108,420	139,080	166,170	196,140	221,660	236,500
Total males	228,950	267,240	323,230	378,560	441,760	501,780	547,280	574,660	589,640	610,910
Older Females	79,910	92,060	117,320	125,580	144,840	154,880	154,780	147,350	142,150	153,170
70-74	62,780	75,500	87,410	111,710	120,070	138,850	148,770	149,030	142,060	137,300
75-79	56,040	56,540	68,710	80,130	102,970	111,330	129,270	138,870	139,540	133,210
80+	83,950	94,470	103,520	121,340	145,530	183,890	219,700	260,320	296,950	321,880
Total females	282,680	318,570	376,960	438,760	513,410	588,950	652,520	695,570	720,700	745,560
Older people	155,530	179,560	227,980	242,840	278,190	295,180	292,010	277,710	269,790	294,900
70-74	120,170	144,830	168,110	214,300	229,430	263,760	280,610	278,450	265,290	258,240
75-79	103,610	105,580	128,810	150,840	193,600	208,820	241,310	257,610	256,650	244,950
80+	132,320	155,840	175,290	209,340	253,950	322,970	385,870	456,460	518,610	558,380
Total older people	511,630	585,810	700,190	817,320	955,170	1,090,730	1,199,800	1,270,230	1,310,340	1,356,470



Appendix two: The projected economic contribution of older New Zealanders 2006–2051

BASE projections: Labour force participation rates from Treasury's Long-term Fiscal Model 2009

Older people (65+)	2006	2011	2016	2021	2026	2031	2036	2041	2046	2051
Population and workforce										
Numbers of older people	511,630	585,810	700,190	817,320	955,170	1,090,730	1,199,800	1,270,230	1,310,340	1,356,470
Participating males	41,347	40,724	76,729	93,070	107,337	116,835	122,021	120,681	120,132	124,930
Participating females	22,966	29,798	34,727	26,599	20,273	23,565	35,721	60,667	86,264	113,452
Total older workforce	64,312	70,522	111,457	119,669	127,610	140,400	157,742	181,348	206,396	238,382
Participation rate: males	18%	15%	24%	25%	24%	23%	22%	21%	20%	20%
Participation rate: females	8%	9%	9%	6%	4%	4%	5%	9%	12%	15%
Overall participation rate	12%	12%	16%	14%	13%	13%	13%	14%	16%	18%
Older workers % of total workforce	2%	3%	4%	4%	4%	4%	5%	6%	6%	7%
Value of remunerated work										
Paid work (\$bn)	0.89	0.99	1.63	1.86	2.12	2.52	3.06	3.81	4.70	5.87
Self-employment (\$bn)	0.17	0.19	0.31	0.35	0.40	0.47	0.58	0.72	0.88	1.10
Total value (\$bn)	1.06	1.18	1.93	2.21	2.52	2.99	3.64	4.53	5.58	6.98
Value of tax paid (\$ bn)										
Tax on earnings from remunerated work (\$ bn)	0.18	0.21	0.34	0.39	0.44	0.52	0.64	0.79	0.98	1.22
Tax on government transfers (\$bn)	1.06	1.23	1.53	1.90	2.37	2.92	3.48	3.99	4.46	4.99
Tax on investments and other income (\$ bn)	0.47	0.54	0.67	0.84	1.04	1.29	1.53	1.76	1.96	2.20
GST (all income spent)	1.22	1.43	1.82	2.24	2.77	3.40	4.06	4.69	5.29	6.01
All tax including GST (\$bn)	2.93	3.41	4.36	5.37	6.63	8.13	9.71	11.23	12.69	14.43
Value of unpaid work										
Total value (\$bn)	5.09	5.97	7.25	9.08	11.37	14.02	16.61	18.83	20.79	23.06

BASE projections continued

	2006	2011	2016	2021	2026	2031	2036	2041	2046	2051
Total income (\$ bn)										
Remunerated work	1.06	1.18	1.93	2.21	2.52	2.99	3.64	4.53	5.58	6.98
Government transfer	7.04	8.23	10.19	12.68	15.81	19.49	23.21	26.60	29.71	33.29
Investments and other	2.93	3.42	4.24	5.28	6.58	8.11	9.66	11.07	12.36	13.85
Total value	11.02	12.84	16.36	20.17	24.91	30.59	36.50	42.20	47.65	54.12
Expenditure (\$ bn)										
Groceries, clothing, personal care	2.05	2.38	3.04	3.74	4.62	5.68	6.78	7.83	8.84	10.04
Car and transport	1.50	1.75	2.23	2.75	3.40	4.17	4.98	5.75	6.49	7.37
Entertainment	1.77	2.06	2.62	3.24	4.00	4.91	5.86	6.77	7.64	8.68
Overheads, insurance, medical	4.00	4.66	5.93	7.31	9.03	11.09	13.24	15.30	17.27	19.61
Total value	9.32	10.85	13.82	17.05	21.05	25.85	30.85	35.65	40.25	45.70

INTERMEDIATE projections: Labour force participation rates supplied to Treasury by Statistics New Zealand 2010

Older people (65+)	2006	2011	2016	2021	2026	2031	2036	2041	2046	2051
Population and workforce										
Numbers of older people	511,630	585,810	700,190	817,320	955,170	1,090,730	1,199,800	1,270,230	1,310,340	1,356,470
Participating males	38,405	61,725	89,057	102,013	126,589	136,828	141,794	141,535	138,302	143,364
Participating females	23,286	42,715	67,672	78,969	105,225	117,124	123,611	124,944	122,009	125,691
Total older workforce	61,692	104,439	156,729	180,982	231,813	253,952	265,405	266,479	260,311	269,055
Participation rate: males	17%	23%	28%	27%	29%	27%	26%	25%	23%	23%
Participation rate: females	8%	13%	18%	18%	20%	20%	19%	18%	17%	17%
Overall participation rate	12%	18%	22%	24%	24%	23%	22%	21%	20%	20%
Older workers % of total workforce	2%	4%	5%	6%	7%	8%	8%	8%	8%	8%
Value of remunerated work										
Paid work (\$ bn)	0.85	1.47	2.29	2.82	3.85	4.55	5.15	5.60	5.92	6.63
Self-employment (\$ bn)	0.16	0.28	0.43	0.53	0.72	0.86	0.97	1.05	1.11	1.25
Total value (\$bn)	1.01	1.75	2.72	3.35	4.58	5.41	6.12	6.65	7.04	7.87
Value of tax paid (\$ bn)										
Tax on earnings from remunerated work (\$ bn)	0.18	0.31	0.48	0.59	0.80	0.95	1.07	1.17	1.23	1.38
Tax on government transfers (\$ bn)	1.06	1.23	1.53	1.90	2.37	2.92	3.48	3.99	4.46	4.99
Tax on investments and other income (\$ bn)	0.47	0.54	0.67	0.84	1.04	1.29	1.53	1.76	1.96	2.20
GST (all income spent)	1.22	1.49	1.90	2.37	3.00	3.67	4.33	4.92	5.46	6.11
All tax including GST (\$ bn)	2.92	3.57	4.58	5.70	7.21	8.83	10.42	11.84	13.11	14.69
Value of unpaid work										
Total value (\$bn)	5.84	5.79	7.00	8.72	10.70	13.24	15.81	18.15	20.32	22.77

INTERMEDIATE projections continued

	2006	2011	2016	2021	2026	2031	2036	2041	2046	2051
Total income (\$ bn)										
Remunerated work	1.01	1.75	2.72	3.35	4.58	5.41	6.12	6.65	7.04	7.87
Government transfer	7.04	8.23	10.19	12.68	15.81	19.49	23.21	26.60	29.71	33.29
Investments and other	2.93	3.42	4.24	5.28	6.58	8.11	9.66	11.07	12.36	13.85
Total value	10.98	13.40	17.14	21.31	26.96	33.01	38.99	44.32	49.10	55.02
Expenditure (\$ bn)										
Groceries, clothing, personal care	2.04	2.49	3.18	3.95	5.00	6.12	7.23	8.22	9.10	10.20
Car and transport	1.50	1.83	2.33	2.90	3.67	4.49	5.31	6.04	6.69	7.49
Entertainment	1.76	2.15	2.75	3.41	4.32	5.29	6.25	7.10	7.87	8.82
Overheads, insurance, medical	3.98	4.86	6.21	7.72	9.76	11.95	14.12	16.05	17.79	19.93
Total value	9.28	11.32	14.47	17.98	22.75	27.85	32.90	37.41	41.45	46.44

HIGH projections: High participation rates (after Paul, Rashbrooke and Rea, 2006)

Older People (65+)	2006	2011	2016	2021	2026	2031	2036	2041	2046	2051
Population and workforce										
Numbers of older people	511,630	585,810	700,190	817,320	955,170	1,090,730	1,199,800	1,270,230	1,310,340	1,356,470
Participating males	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Participating females	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total older workforce	81,861	108,375	147,040	192,070	248,344	283,590	311,948	330,260	340,688	352,682
Participation rate: males	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Participation rate: females	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Overall participation rate	16%	19%	21%	24%	26%	26%	26%	26%	26%	26%
Older workers % of total workforce	3%	4%	5%	6%	8%	8%	9%	10%	10%	10%
Value of remunerated work										
Paid work (\$ bn)	1.13	1.53	2.15	2.99	4.13	5.09	6.06	6.94	7.75	8.69
Self-employment (\$ bn)	0.21	0.29	0.40	0.56	0.78	0.96	1.14	1.31	1.46	1.63
Total value (\$bn)	1.34	1.82	2.55	3.55	4.90	6.04	7.20	8.25	9.21	10.32
Value of tax paid (\$ bn)										
Tax on earnings from remunerated work (\$ bn)	0.24	0.32	0.45	0.62	0.86	1.06	1.26	1.45	1.61	1.81
Tax on government transfers (\$ bn)	1.06	1.23	1.53	1.90	2.37	2.92	3.48	3.99	4.46	4.99
Tax on investments and other income (\$ bn)	0.47	0.54	0.67	0.84	1.04	1.29	1.53	1.76	1.96	2.20
GST (all income spent)	1.26	1.50	1.89	2.39	3.03	3.74	4.45	5.10	5.70	6.39
All tax including GST (\$ bn)	3.01	3.59	4.53	5.75	7.31	9.01	10.73	12.29	13.73	15.39
Value of unpaid work										
Total value (\$bn)	4.99	5.77	7.05	8.63	10.60	13.04	15.46	17.64	19.63	21.99

HIGH projections continued

	2006	2011	2016	2021	2026	2031	2036	2041	2046	2051
Total income (\$ bn)										
Remunerated work	1.34	1.82	2.55	3.55	4.90	6.04	7.20	8.25	9.21	10.32
Government transfer	7.04	8.23	10.19	12.68	15.81	19.49	23.21	26.60	29.71	33.29
Investments and other	2.93	3.42	4.24	5.28	6.58	8.11	9.66	11.07	12.36	13.85
Total value	11.31	13.47	16.97	21.51	27.29	33.64	40.06	45.91	51.28	57.47
Expenditure (\$ bn)										
Groceries, clothing, personal care	2.10	2.50	3.15	3.99	5.06	6.23	7.42	8.51	9.50	10.65
Car and transport	1.54	1.84	2.31	2.93	3.71	4.58	5.45	6.25	6.98	7.82
Entertainment	1.81	2.16	2.72	3.45	4.37	5.39	6.42	7.35	8.21	9.20
Overheads, insurance, medical	4.10	4.88	6.15	7.79	9.88	12.17	14.50	16.61	18.55	20.79
Total value	9.55	11.37	14.33	18.15	23.02	28.37	33.78	38.72	43.24	48.46