



Office for Senior Citizens  
Te Tari Kaumātua

Administered by the Ministry of Social Development



# The Business of Ageing Update 2015

This report provides an update to the 2011 report:  
Realising the Economic Potential of Older People in New Zealand: 2011–2051

### **Acknowledgement**

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### **Disclaimer:**

The views, opinions, findings, and conclusions expressed in this paper are made by the Office for Senior Citizens. While the Office for Senior Citizens has made every effort to ensure that the information in this paper is reliable, it takes no responsibility for any errors or omissions in the information contained in this report. The report is presented with a view to inform and stimulate wider debate.

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# Introduction

Many perceive our ageing society as a burden, yet it's one of our greatest achievements. A growing number of older people are in good health, have valuable skills and experience and are making a significant contribution to our economy and society.

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As the older population grows so will their spending power. Businesses will need to better understand this group and the role they will play as consumers in the future. The rapid expansion of businesses signing up to the SuperGold card shows how this market is growing. At the same time, as the traditional 'working age' population shrinks, businesses will need to retain and harness older workers skills in order to sustain their long-term growth and profitability.

Launched in 2010, the Business of Ageing project explores the economic value and business opportunities that our ageing population can create, with the aim of encouraging discussion and further research.

The update is the third in a series of studies undertaken to monitor and assess trends among those aged 65 and over ('older people'):

- > The first study, completed in 2011, presented research on older people's economic contribution as consumers, workers and taxpayers
- > The 2011 study was updated in 2013, largely in response to increases in older people's participation in the labour force and new projections from Statistics New Zealand of their future participation rates. It also considered other developments since 2011, such as changes in tax rates.

This report concludes that by 2051 older New Zealanders are likely to be making an even more significant contribution to the economy than envisaged in the 2011 and 2013 update report.

## Why has this 2015 update been produced?

Since the 2013 update was published, new reports have been released on trends relevant to the ‘business of ageing’. These include:

- > The results of the 2013 Census
- > Statistics New Zealand’s new National Population Projections, which were released in November 2014
- > The 2014 Report on the Positive Ageing Strategy.

In preparing this update, the Office for Senior Citizens considered a range of other information, including an Infometrics report on the economic value and impacts of voluntary work, unpaid work and caregiving.

In 2015, the 2014 Report on the Positive Ageing Strategy (2001) was released by the Office for Senior Citizens, showing the progression New Zealand is making towards the goals of the original strategy. Headline data from this report was used in the Report and provides a companion piece to this work.

We also recommend that you read this update in conjunction with the 2011 report, which provides background in terms of figures, analysis and commentary.

**Please note:** all figures are in real 2013 dollars and adjusted for real growth in the value of wages between 2013 and 2051. 2011 figures (based on 2013 dollars) are used as a base comparison with future projections to align with the 2011 report.



“Ageing is not lost youth but a new stage of opportunity and strength.”

Betty Friedan (1921–2006)

# Executive Summary

The 2015 research shows that in the coming decades older New Zealanders are likely to make an even greater contribution to the economy than was predicted in the 2011 and 2013 updates.

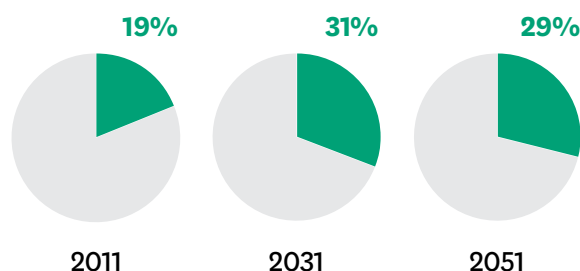
The key projections are that older people will:

## Be more active in the labour market

### Labour force percentage

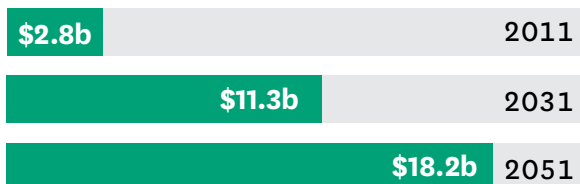
2011	2031	2051
5%	12%	13%

### Participation rate



## Increase their earnings from paid work

### Increase total work earnings



### Earnings of those who are self-employed





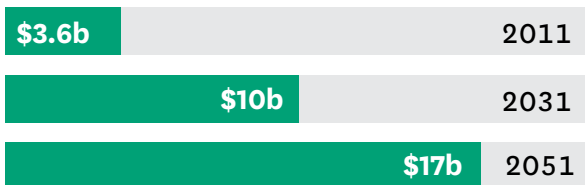
## Make a significant contribution to tax revenue

### Pay income tax totalling



### Pay total tax

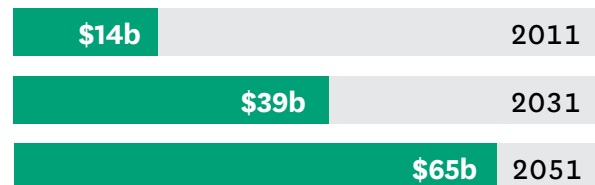
(including payments on pensions such as New Zealand Superannuation, investments and GST)



## Have influence as a consumer group

### Spend in total

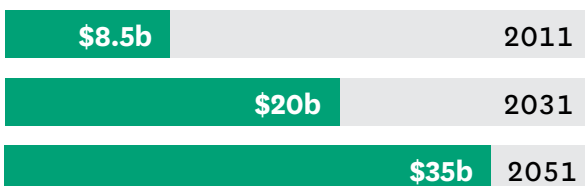
(Most will be spent on groceries, clothing and footwear, followed by housing and housing-related items, health, transport and recreation and culture)



## Be valued for their voluntary work

### Contribute through unpaid and voluntary work

(based on their earning \$16.10 per hour)



### In addition:

- > 65 percent of all 65- to 69-year-old men are likely to participate in the labour force by 2051–2061, up from about 45 percent today
- > 55 percent of all 65- to 69-year-old women are likely to be working by 2051–2061, up from 31 percent today
- > 12 percent of men and 10 percent of women over 80 are likely to be working by 2051.

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# Findings

## Older people are becoming a large consumer group

Older people's incomes come from sources such as the Government (especially New Zealand Superannuation), investments, gifts, asset sales and employment.

Owing to the expected growth in those aged 65-plus (and the implied improvements in their health):

- > The after-tax income for this group is projected to be more than \$73b by 2051 – a significant increase on the 2013 projection of \$68b
- > Spending by older people (including GST) is expected to rise from \$13.8b per year in 2011 to about \$39b in 2031 (\$36.3b in the 2013 update), \$65b in 2051 (\$60.3b) and \$85b in 2061
- > If these trends follow current spending patterns, 27 percent of this spending will go towards foodstuffs, clothing and footwear, and 22 percent to housing and housing-related items. Further down the list are health (11 percent), transport (13 percent) and recreation and culture (11 percent).

## Older people will play an increasing role in the labour force

This update projects trends in older people's labour force participation using the Treasury's 2012–13 Long Term Fiscal Model (LTFM) and Statistics New Zealand's National Labour Force and Participation Rate Projections.

The LTFM provides relatively detailed demographic and detailed labour force projections to 2061, while the Projections derive from and complement the LTFM and are closely associated with the National Population Projections.

Unfortunately for this update, the expected release of the updated National Labour Force and Participation Rate Projections has been delayed until at least the end of 2015 – so the 2012 figures have been used instead.



The 2012 Labour Force Projections were that:

- > The number of people aged 65-plus in the labour force would climb from about 130,000 in 2012 to 240,000–500,000 in 2036 and 280,000–660,000 in 2061
- > The largest growth would occur between 2011 and 2031 as the baby boomers move into the 65-plus age group.

The Participation Rate Projections suggested that:

- > By 2051–2061 the percentage of 65- to 69-year-old men in the labour force would have increased from 45 percent to 65 percent, and women from 31 percent to 55 percent

- > By mid-century 12 percent of men aged 80-plus and 10 percent of women in the same age group would be working
- > The labour force participation rate for older people would increase from 21 percent to 31 percent in 2031, falling slightly to 29 percent by 2051
- > The percentage of older people in the overall labour force would rise from around 5 percent to 13 percent by 2051.

## New Zealand already has one of the highest participation rates of older people in the OECD

### Participation Rate (Percent)



All OECD: 13.51

Source: OECD StatExtracts (Data for 2013)

**Please note:** the above table is from OECD figures from 2013 which was developed separately from the findings in this report.

## Have influence as a consumer group



### ► 2011

Amount of money spent by older people on goods and services: \$14b

### ► 2051

Amount of money spent by older people on goods and services: \$65b



### ► 2011

Increase total work earnings by older people: \$2.8b

### ► 2051

Increase total work earnings by older people: \$18.2b



### ► 2011

Total tax paid by older people: \$3.6b

### ► 2051

Total tax paid by older people: \$17b

## Older people's earnings from paid work will increase

The 2013 Household Income Survey, which was released on 28 November 2013, indicates that:

- > 17.5 percent of people in New Zealand aged 65-plus are in some form of paid work, up from 15.5 percent in 2009 but lower than the 19.6 percent recorded in 2012 (partly due to the increasing number of people aged 80-plus)
- > The average weekly earnings for this group has risen from \$439 per week in 2012 to \$557 – a 27 percent rise
- > The average weekly income for self-employed people has risen from \$243 to \$251.

The 2013 Census provides additional detail on older people's income. It indicates, for example, that 40,600 people aged 65-plus earn more than \$82,000 a year from all sources, representing about 7 percent of those in the age group. This is well below the 10 percent recorded for the overall population.

This update projects that, in 2013 dollars:

- > Older people's total work earnings are likely to increase from about \$2.8b in 2011 to about \$11.3b in 2031 and \$18.2b in 2051
- > Remuneration for older self-employed people is likely to rise from about \$0.4b in 2011 to about \$1.6b in 2031 and \$2.6b in 2051.

## Older people will contribute more as taxpayers

Data from the 2013 Household Income Survey and the 2013 Census indicates that, on average, those aged 65-plus earn on average \$29,200 per year and pay about 14 percent of that amount in tax.

This 2014 update projects that:

- > Older people's income tax payments will increase from about \$0.4b in 2011 to \$1.5b in 2031, and \$2.5b in 2051
- > The value of all tax paid by older people (including payments on pensions such as New Zealand Superannuation, investments and GST) will rise from about \$3.6b in 2011 to \$10b in 2031 and \$17b in 2051.

## Older people make a considerable and increasing contribution to the voluntary sector

It is clear that older New Zealanders make a considerable contribution to society through unpaid and voluntary work.

For example the 2008/09 Time Use Survey showed that older people on average contributed about 30 hours of unpaid work per week, of which around 2.6 hours was undertaken for other households or organizations, with the remainder being in the form of self-care and care for other household members (including dependent children).

A comparison of the 2013 Census with the 2006 results reveals increases in the proportion of those 65-plus involved directly in household duties and contributing voluntary work through clubs, societies and churches. However, these increases may simply reflect the increasing number of people joining the 65- to 75-year age group.

This 2015 update puts the value of unpaid work at \$16.10 per hour. This is the 'Carer Wage' identified in the Infometrics report *Economic Value and Impacts of Informal Care in New Zealand*, produced in September 2014 for Carers NZ and the NZ Carers Alliance.

Using this figure, it is projected that the value of older people's contribution to unpaid and voluntary work will rise.

### The rise of older people's contribution as volunteers

\$8.5b	2011
\$20b	2031
\$35b	2051

## Alternative scenarios

The Office for Senior Citizens also considered supplementing and extending the scope of the update with additional data. This involved asking ourselves a range of 'what if?' questions about the information, assumptions and other factors we use for this research, and whether new data types and sources could be useful (and useable) for future updates.

We considered a range of alternative scenarios for the size of the older labour force, the labour force participation rates and older people's contribution to the economy – particularly those relating to changes in changes in fertility, mortality and migration. It was apparent that different migration scenarios could have significantly different impacts.







For example:

- > An influx of younger working-age migrants turning 65-plus between 2041 and 2061 would raise the number of people in the 65–75 age group and boost the numbers of older people in work (assuming that they wished to continue working past the eligible age for New Zealand Superannuation)
- > A high ‘out-migration’ rate of young people would create pressure on the labour market, and could lead to an increase in older people’s labour force participation rates. On the other hand, if New Zealand became an attractive destination for overseas retirees, they would be unlikely to seek or find work here, so the participation rate would reduce.

Other factors influencing the trends monitored by these updates include Government health and other policies, which have the potential to encourage and enable greater labour force participation.

### Other projections

In attempting to add new datasets to the update, it is important to recognise that the projections depend heavily on two data sources, which are considered well founded, robust and reliable:

- > The Treasury’s LTFM provides relatively detailed demographic and labour force projections to 2061 and is extraordinarily detailed for such a long-term model
- > Statistics New Zealand’s National Labour Force and Participation Rate Projections complement the LTFM data to a large degree and originate from a highly reliable source.

Deriving complementary data sets to 2061 is not practicable in most instances – and questionable given the difficulties in forecasting change and the need to take a modest and cautious attitude when communicating the results of an exercise such as this update. The work uses a ‘What If’ approach and alternative assumptions can be tested as required.

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# What does this mean?

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## Two sides to the coin

An ageing population presents both public spending challenges and economic and social opportunities. As well as participation in paid work, experienced and wise older people contribute to their communities. They add value through their volunteer work and helping their families, and many support others to participate in paid work, such as by caring for their children.

The updated figures reinforce the conclusions on older people's economic value outlined in the 2011 and 2013 reports.

The Business of Ageing Project highlights the need to act to make sure that the ageing population increases productivity, economic growth and living standards, rather than constraining them.

## Other countries' initiatives

Responses other OECD countries have implemented to realise the economic potential of its ageing population 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
- ✓ tax credits, and informing employers about the benefits of older workers.





### What do you think?

The intention of the original Business of Ageing report in 2011, as well as this update, is to help highlight the positive contribution that older people make to the New Zealand economy as workers, consumers, volunteers and taxpayers.

Alongside the 2015 report on the Positive Ageing Strategy, we would like to put forward some questions for organisations in both the private and public sector to consider, to enable debate and discussion on the opportunities and consequences of an ageing population.

These questions include:

- How can we help businesses and the wider public to better understand the positive contributions of older people and the growing value of older consumers?
- How can organisations harness the growing value of older people as volunteers?
- How can employers and employees better understand the consequences of an ageing workforce, including the benefits of older people's participation?

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## Where can I get more information?

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The accompanying technical report contains the data behind this update report, and our exploratory work on supplementing and extending the scope of the update with additional data.

We encourage you to contact us on **osc@msd.govt.nz** if you have any questions or would like to make comments on the report.

Visit **[www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/business-of-ageing/index.html](http://www.msd.govt.nz/about-msd-and-our-work/publications-resources/research/business-of-ageing/index.html)** for:

- > The more detailed 2011 report, which contains a bibliography and list for further reading
- > The 2013 report
- > Summary sheets for the 2011 report, the 2013 update and this 2015 update.

# Appendix one: New information since 2013

## Population

In November 2014 Statistics New Zealand released its updated National Population Projections.

These indicated that:

- > The number of people aged 65-plus had doubled between 1984 and 2014 to reach 650,000 – and would double again by 2039. It is highly likely that there will be 1.28–1.37m people aged 65-plus in 2041 and 1.57–1.81m in 2068. The 2013 update projected an older people's population of 1.11m in 2031 and 1.37m in 2051
- > The largest growth will happen between 2011 and 2037 as the baby boomers move into the 65-plus age group
- > By 2032, 21–22 percent of New Zealanders will be aged 65-plus, compared with 14 percent in 2014. This proportion is expected to reach 22–26 percent by 2050 and 24–32 percent by 2068
- > Within the 65-plus age group, the number of people aged 85-plus will likely increase significantly, from 78,000 in 2014 to 220,000–270,000 in 2041 and 320,000–450,000 in 2068
- > By the 2050s, about one in four people aged 65-plus will be 85-plus, compared with one in eight in 2014
- > The number of those aged 80-plus will increase by nearly 20,000 males and 25,000 females by 2051.

## Income-related information

The 2013 census provided additional detail on the distribution of income, and a useful check against the results in the 2013 Household Income Survey. However, in other respects it did not provide the type of data required to further refine our estimates.

## Other changes incorporated

As well as factoring in the new population projections, Census results and the Infometrics report, this update includes other available new or updated data, such as that on household income sources.

## Appendix two: Table of updated projections

	2011	2016
<b>POPULATION &amp; WORKFORCE</b>		
Numbers of Older People	587,020	701,100
Participating Males	65,490	97,433
Participating Females	48,380	78,872
<b>TOTAL OLDER WORKFORCE</b>	<b>113,870</b>	<b>176,305</b>
Participation Rate - Males	0.24	0.30
Participation Rate - Females	0.15	0.21
Overall Participation Rate	0.19	0.25
Older Workers % of Total Workforce	0.05	0.07
<b>VALUE OF REMUNERATED WORK (\$b)</b>		
Paid Work	2.39	3.92
Self-Employment	0.41	0.67
<b>TOTAL VALUE</b>	<b>2.80</b>	<b>4.59</b>
<b>VALUE OF TAX PAID (\$b)</b>		
Tax on Earnings from Remunerated Work	0.38	0.62
Tax on Government Transfers	1.02	1.29
Tax on Investments and Other Income	0.41	0.52
GST (all income spent)	1.79	2.38
All Tax (including GST)	3.61	4.82
<b>VALUE OF UNPAID WORK</b>	<b>8.46</b>	<b>10.35</b>
<b>TOTAL INCOME (\$b)</b>		
Remunerated Work	2.80	4.59
Government Transfers	9.74	12.30
Investments & Other	3.02	3.82
<b>TOTAL VALUE</b>	<b>15.56</b>	<b>20.71</b>
<b>EXPENDITURE (\$ Bn)</b>		
Groceries, Clothing, Alcohol & Tobacco	3.88	5.16
Housing & Household Utilities	3.04	4.04
Health	1.46	1.94
Transport & Communication	2.33	3.09
Recreation, Culture & Education	1.55	2.06
Miscellaneous	1.33	1.77
Interest	0.25	0.33
<b>TOTAL</b>	<b>13.84</b>	<b>18.40</b>

	2021	2026	2031	2036	2041	2046	2051	2056	2061
	829,200	977,800	1,124,000	1,244,600	1,324,600	1,364,000	1,408,100	1,488,400	1,584,000
	125,905	156,792	181,453	195,859	199,610	197,976	205,020	227,912	252,774
	109,350	147,018	168,947	181,706	185,532	195,764	205,786	207,662	218,376
	235,255	303,811	350,400	377,565	385,142	393,741	410,806	435,573	471,150
	0.33	0.35	0.35	0.34	0.33	0.32	0.32	0.33	0.34
	0.25	0.28	0.28	0.27	0.26	0.26	0.27	0.26	0.26
	0.28	0.31	0.31	0.30	0.29	0.29	0.29	0.29	0.30
	0.09	0.11	0.12	0.13	0.13	0.13	0.13	0.13	0.14
	5.64	7.88	9.69	11.30	12.48	13.75	15.54	17.79	20.78
	0.96	1.34	1.65	1.92	2.12	2.34	2.64	3.03	3.54
	6.60	9.22	11.33	13.22	14.60	16.10	18.18	20.82	24.32
	0.89	1.25	1.53	1.79	1.97	2.18	2.46	2.81	3.29
	1.65	2.10	2.57	3.09	3.56	3.95	4.41	5.04	5.79
	0.66	0.85	1.04	1.24	1.43	1.59	1.78	2.03	2.33
	3.12	4.08	5.00	5.95	6.78	7.52	8.43	9.63	11.11
	6.32	8.27	10.14	12.06	13.74	15.23	17.07	19.50	22.51
	12.94	16.26	19.91	23.99	27.86	30.98	34.56	39.40	45.11
	6.60	9.22	11.33	13.22	14.60	16.10	18.18	20.82	24.32
	15.68	20.01	24.51	29.39	33.86	37.60	42.02	47.97	55.14
	4.87	6.21	7.61	9.12	10.51	11.67	13.04	14.89	17.11
	27.14	35.45	43.46	51.73	58.97	65.36	73.24	83.68	96.57
	6.75	8.82	10.81	12.87	14.68	16.27	18.23	20.82	24.03
	5.30	6.91	8.48	10.09	11.51	12.75	14.29	16.33	18.84
	2.54	3.32	4.06	4.84	5.52	6.12	6.85	7.83	9.04
	4.05	5.29	6.49	7.72	8.81	9.76	10.94	12.49	14.42
	2.70	3.53	4.32	5.15	5.87	6.51	7.29	8.33	9.61
	2.32	3.03	3.72	4.43	5.05	5.60	6.27	7.16	8.27
	0.43	0.56	0.69	0.82	0.94	1.04	1.17	1.33	1.54
	24.10	31.47	38.57	45.93	52.36	58.04	65.04	74.30	85.74



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