

Updating data on older workers¹

RPRC *PensionBriefing* 2014-4

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The number of New Zealanders aged 65+ who are in paid work continues to grow strongly. The 2013 Census shows nearly one quarter of older New Zealanders are now in paid employment for at least 1 hour a week. That proportion has more than tripled in the 27 years since the 1986 census. Today New Zealand has one of the highest rates in the OECD of participation in the paid workforce for those over age 65.

Introduction

New Zealand employers face impending challenges of an ageing workforce. The RPRC's [*PensionCommentary 2012-4: A commentary on older workers and some HR issues facing employers*](#), summarises a range of data to assist in thinking about trends in participation among older age groups and the implications for employers. It notes that New Zealand has a high effective age of retirement compared to other countries.

The baby-boom generation born 1946 to 1966 began to reach age 65 in 2011, so the 2013 Census² is the first to begin to reflect this cohort's influence on the data. This *PensionBriefing* updates and analyses the data for indications of future trends.

In 2013, 22.5% of all those over age 65 were still in the workforce and of those, more than half were working full-time, defined by Statistics New Zealand as 30 or more hours a week.³ The others were working at least one hour a week for pay.

Amongst developed countries, New Zealand has one of the highest labour force participation rates amongst those aged 65+ as illustrated in Table 1.

Table 1: Labour force participation rates of older workers in 2010
(ILO Key Indicators of the Labour Market (KILM), 7th Edition, 2011)⁴

	Age 55-64	Age 65 plus
New Zealand	75.9%	17.0%
Australia	62.6%	10.7%
United States	64.9%	17.3% ⁵
United Kingdom	59.7%	8.6%

Note: This *PensionBriefing* was prepared with the help of RPRC Research Assistant Siu Yuat Wong, and assistance from Professor Natalie Jackson, NIDEA, University of Waikato, in interpreting the data. We also thank Statistics New Zealand for supplying supplementary information from the Census 2013 for the Tables and Charts.

² The 2011 Census was delayed because of the Christchurch earthquakes until 2013.

³ See Statistics New Zealand's 'Definitions' of hours worked [here](#).

⁴ Cited in Guest, R. *Comparison of New Zealand and Australian Retirement Income Systems*, 2013 accessible [here](#).

⁵ As countries increase their state pension ages, care is needed with international comparisons. In 2010, the state pension age in the US was 66 (and will be age 67 by 2027). The state pension age in the other three countries was 65 in 2010.

The 2013 Census data shows that past growth in both the numbers of those aged 65+ who are working, and the proportions that participate in the paid workforce, continues.

Workforce participation for those age 65+

Table 2 shows that the labour force participation rate of those aged 65+ has increased dramatically over the 27 years, 1986-2013. The participation rate includes those employed, plus those unemployed but seeking work. At March 2014, only about 2.1% of all those age 65+ were in this latter category (Statistics New Zealand, 2014). 'Participation' excludes unpaid, voluntary work, and 'employment' means at least one hour a week of paid work.

In 2013, about 130,000 people aged 65+ were labour force participants, about six times the number of 27 years earlier. The population aged 65+ grew by 77% over this period (see Table 2) while the population as a whole increased by only 30% (from 3.27 million in 1986 to 4.24 million in 2013). Had the participation rate remained constant, the 2013 figure would have been just 38,850.

Table 2: Labour force participation rates age 65+, 1986-2013

(Statistics New Zealand, 2013 Census data)

Census year	Population age 65 & over	Participation rate			
		All		Males	Females
		Rate	Number		
1986	342,111	6.4%	21,895	11.2%	2.9%
1991	379,767	6.0%	22,786	10.3%	2.8%
1996	422,667	9.2%	38,885	14.4%	5.2%
2001	450,423	11.6%	52,249	17.5%	7.0%
2006	495,603	17.1%	84,748	23.9%	11.6%
2013	607,032	22.5%	129,516	29.3%	16.7%

There are several explanations for this remarkable increase:

- The qualifying age for the state pension, New Zealand Superannuation (NZS), was increased from age 60 to 65 between 1992 and 2001.
- The income-test (the 'surcharge') on other earnings was removed after 13 years in 1998, so that there was no longer a financial penalty on earning extra income.
- New Zealand's recent economic recovery, following the global financial crisis of 2007–2011, increased job opportunities, drawing back into the work-force many, including older workers, on the fringe of the labour market.

Other possible factors contributing to the increased participation rate of older workers were noted by the Department of Labour in 2007:⁶

- Better health and the recognition among older people of the benefits of keeping active.
- Technological changes reducing the manual intensity of some types of work.
- The share of work that is knowledge- and skill-intensive rather than being manually intensive has increased.
- Ongoing skill shortages that increase older workers' bargaining power.

Participation rates by gender and age

The male labour-force participation rate is significantly higher than the female rate but the gap is closing as shown in Table 2. Charts 1 and 2 show the way in which participation rates have increased for older males and females of working age. The male rate has

⁶ Department of Labour (2007) *Older people in work: Key trends and patterns 1991 - 2005*, accessible [here](#).

increased most sharply for those aged 60-64, while females show a strong rise in participation at younger age groups as well.

Chart 1: Labour force participation for older male workers from 1987 – 2014
(Statistics New Zealand, Household Labour Force Survey)

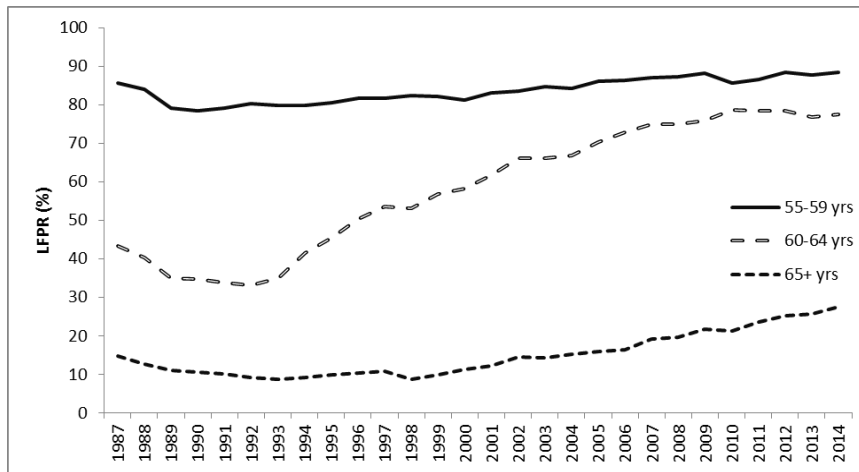


Chart 2: Labour force participation for older female workers from 1987 – 2014
(Statistics New Zealand, Household Labour Force Survey)

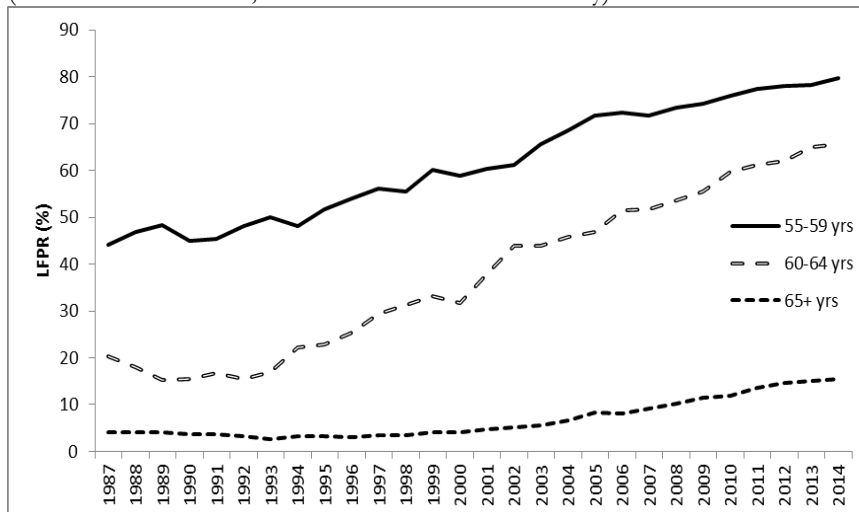


Table 3 analyses the age groups over age 65.

Table 3: Labour force participation by rate and numbers, 2013, age 65+ by age group
(Statistics New Zealand, 2013 Census data)

Age group	Participation				
	Males - rate	Males - number	Females -rate	Females - number	Males/ females ratio
65-69	48.1%	45,972	33.2%	33,330	1.45x
70-74	27.0%	19,467	15.5%	12,090	1.74x
75-79	14.7%	7,293	6.7%	3,846	2.19x
80-84	8.4%	3,000	3.8%	1,707	2.21x
85-89	5.8%	1,512	2.7%	1,281	2.15x
90+	n.a.	n.a.	n.a.	n.a.	n.a.

Table 4 shows a significant shift in the seven years 2006 to 2013 for age 65+ female participation, reflecting the observed trend of increasing participation rates at the younger ages.

Table 4. Labour force participation 2006 and 2013 for age 65+ by age group, males and females (Statistics New Zealand, 2006 and 2013 Census data)

Age group	Participation rates - males			Participation rates - females		
	2006	2013	2006 to 2013	2006	2013	2006 to 2013
65-69	42.9%	48.1%	1.12x	25.3%	33.2%	1.31x
70-74	22.5%	27.0%	1.20x	11.0%	15.5%	1.41x
75-79	12.7%	14.7%	1.16x	5.4%	6.7%	1.24x
80-84	8.4%	8.4%	n/c	3.8%	3.8%	n/c
85-89	6.5%	5.8%	0.89x	3.3%	2.7%	0.82x
90+	6.9%	n.a.	n.a.	2.8%	n.a.	n.a.

Participation rates by work and ethnicity

As well as gender variation in participation, the type of work appears to influence participation past age 65. Khawaji and Boddington (2009, pp. 84, 88) find that in 2006, about one in three older men with a university qualification worked in contrast to only one in five men with no qualification; and of all employees age 65+, about 34% had no qualification, a higher proportion than applies to the current working age population. This may indicate a greater financial imperative to participate in paid employment, or it may simply be a reflection of the lower rate of qualifications among older age groups. In 2013, 18.6% of all New Zealanders age 15+ had no qualification (Statistics New Zealand 2013 Census data), down from 22.4% in 2006.

In addition to gender and qualifications, Table 5 shows the wide variation in participation rates of those aged 65+ by ethnicity.

Table 5. Labour force participation 2013, age 65+ by ethnicity (Statistics New Zealand, 2013 Census data)

Ethnicity	Participation rate 2006	Participation rate 2013
Maori	23%	27.1%
European	17%	23.0%
Pacific	14%	16.9%
Asian	10%	12.2%
Middle Eastern/Latin American/African	n.a.	17.6%
Other	13%	32.7%

While Maori and European participation rates have increased more than other ethnicities since 2006, the Department of Labour (2010) reports that Maori participation has increased the most over the past 20 years. Asian and Pacific participation rates have also increased overall in the past seven years for those aged 65+, after falling by 3% and 7% respectively between 1989 and 2010. The most dramatic increase is for “Other”, from 13% to 32.7% between 2006 and 2013.

Hours worked by those over 65

The proportions of both men and women over age 65 who worked full-time (at least 30 hours a week) have increased steadily since 1996.

Table 5 shows that the proportions of full-timers are almost back to the levels of 1986 (noting however that a much smaller number of those aged 65+ participated in the workforce in 1986 - see Table 1 above).

Table 5: 'Full time' employment rates of the over-65s who worked: 1986-2013

(Statistics New Zealand, 2006 and 2013 Census data)

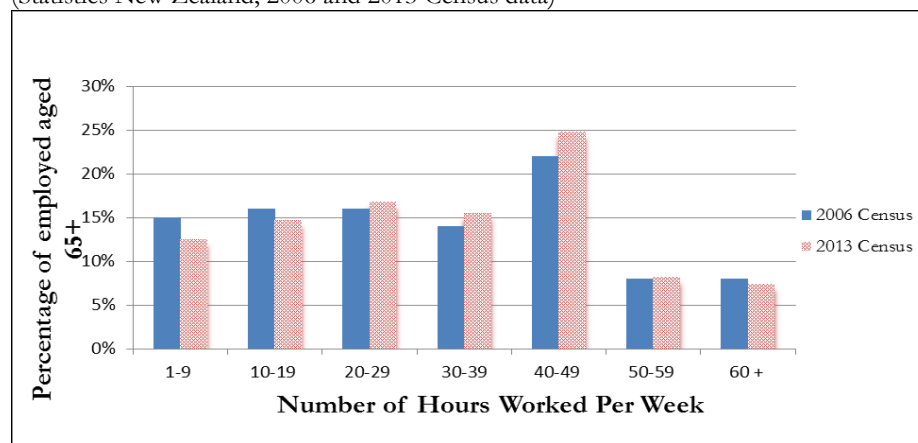
	1986	1991	1996	2001	2006	2013
Male	64%	61%	49%	54%	57%	61.7%
Female	45%	41%	32%	32%	35%	40.1%

Looking at the workforce as a whole, New Zealand is one of the highest-ranking OECD nations in terms of the percentage of the population that works "very long hours". A recent OECD report found 13% of New Zealanders (20% of men and 7% of women) worked more than 50 hours a week compared with an average of 9% for all other countries.⁷

It is consistent with past trends, therefore, that hours worked for those over 65 seem high. However comparing the 2006 and 2013 Census data in Chart 3 shows the number of hours worked weekly by those aged 65+, working over 30 hours, have increased over time.

Chart 3: Hours worked each week: employees age 65+ in 2006 and 2013

(Statistics New Zealand, 2006 and 2013 Census data)



The largest increase was in the category of those aged 65+ working 40-49 hours per week. Chart 3 shows that, of the almost 130,000 aged 65+ who worked in paid employment for at least one hour a week in 2013:

- 56% (about 73,000 people) worked at least 30 hours a week. More men than women worked at least 30 hours: 61.7% of men and 40.1% of women.
- 40% or almost 52,000 worked more than 40 hours a week.

In summary

The trends indicate that:

- workforce participation rates for all those over 65 will increase further;
- the participation rates for women will continue to increase at all older age groups, closing the gender gap.

The design of NZS is clearly helpful in encouraging work effort but older age groups may have a growing expectation they will continue to work. The increasing number of labour force participants aged 65+ is part of the necessary discussion New Zealand needs regarding the qualifying age for NZS.

⁷ See http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10859823.

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