

Ageing Workforce: Opportunities and Challenges

Purpose

1. Demographic change is recognised as one of the global “mega trends” shaping the future of work. The ageing workforce creates both risks and opportunities in Aotearoa New Zealand. By bringing a Tripartite perspective to this work, we can generate solutions to help support business and workers respond to this change.
2. The Older Workers Employment Action Plan (OWEAP) was launched in 2022 as part of the Government’s Employment strategy. One of the actions of the OWEAP has highlighted the need to discuss the ageing workforce and therefore it was proposed that this issue is presented to the Tripartite Future of Work Forum (the Forum).

Background

3. The labour force is ageing in Aotearoa New Zealand, reflecting increased participation of older workers (those aged 50+) and the general ageing of the population.
4. Older workers make up a third of the labour force and are the fastest-growing demographic among workers. This growth is mostly due to people ageing in their work and subsequently moving up through the age brackets over time, while less workers enter the younger age brackets. This has significantly changed the distribution of the labour force by age and is expected to continue to do so:

Table 1: Distribution of the labour force by broad age group, estimated and projected (50th percentile), June year 1993–2033 (Base 2020)

Percentage distribution	15–24	25–44	45–64	65+
1993	21.5	50.8	26.6	1.2
2003	17.2	46.5	34.2	2.1
2013	15.3	40.1	39.6	5
2023	14	42.3	36.7	7
2033	14.2	41.9	35.4	8.6

5. In actual numbers, Stats NZ estimate workers aged 45-64 will increase from 1.1 million in 2023 to 1.2 million in 2033. Workers aged 65+ will increase from 235,000 to 341,000 over the same timeframe.
6. As the population ages further, the proportion of people who will fall within what has traditionally been referred to as “working age” for the purpose of the Household Labour Force Survey (i.e. aged 15-64) will continue to decline. At the same time, New Zealand’s total population is estimated to increase by 15%, or 550,000 people, by 2048.

7. One measure of ageing is the proportion of a population aged 65+, which was 16% in Aotearoa New Zealand in 2022. Whilst this is younger than countries well known for their ageing populations, such as Japan (29%) and Italy (24%), researchers estimate that our population profile is moving in the same direction with approximately 23% of the population aged 65+ by 2043.
8. Some regions will be faced with these challenges much sooner. Marlborough, West Coast and Nelson Tasman already have around 22% of their populations aged 65+. The largest and youngest population is in Tāmaki Makaurau with only 13% aged 65+ years.
9. The first Regional Skills Leadership Group (RSLG) Workforce Development Plans released in 2022 identified focus areas, including target groups and/or industries. Older workers were highlighted in some of the plans, which generally aligned to the regions with older population profiles. This translated to around 12 specific actions of a total of 350 actions across 15 plans.
10. A recent report prepared by Sense Partners for Business NZ highlighted sectors that are more exposed to an ageing workforce. These are education, engineering, health, society and culture. The report attributes this workforce ageing to a limited number of young people training in relevant qualifications and older existing workforces. It also predicts that the need for workers in these sectors will continue to outstrip supply.
11. The six Workforce Development Councils have drafted their first industry led workforce development plans. Older workers were mentioned across most of these plans, although only Hanga-Aro-Rau - Manufacturing, Engineering and Logistics included a specific action to address the ageing workforce, which will involve industry engagement, research and development of tools and resources to support older workers.

Key points

Labour Shortages and participation of older workers

12. Regardless of shorter-term labour market cycles, in the longer run there is likely to be labour supply pressure, partly because of our ageing population. The utilisation of older workers can be part of this solution, along with other underutilised population groups such as woman and Māori and Pasifika peoples who have a younger population as a starting point and make up a growing proportion of our workforce.
13. As our workforce ages, businesses will need to retain older workers to ensure that we are utilising this labour source and to capture their skills and experience. As people age, roles may need to evolve and include greater flexibility to ensure alignment with employee's availability, capacity and aspirations, which can all change as people age.
14. New Zealand has a high rate of labour force participation of those aged 65+ by international standards with a current rate of 25%. This compares to 10% in the United Kingdom, 12% in Australia, 19% in the United States and 20%

in Japan. This is largely attributed to universal NZ Superannuation payments that are not subject to income or asset testing.

15. There is, however, potential for growth in later life labour force participation. Iceland for example has labour force participation of 33.1% in this age group. Matching this level of labour force participation by older New Zealanders would add an additional 65,000 workers to the economy.
16. Conversely, high labour force participation among older workers should not be taken for granted. In the United Kingdom, rising rates of economic inactivity among those aged 50+ has been identified as a source of pressure on the economy. Data shows this trend is driven by lower-middle income earners exiting the workforce early. Reasons cited include ill health (including mental ill health) as well as lack of flexibility in the workplace and inadequate and poorly targeted employment support.

Utilisation of older workers to improve productivity

17. New Zealand's productivity challenges are well-known. Better utilisation of older workers offers some possibilities to improve workforce productivity.
18. There is some evidence to suggest that older workers stay in their place of employment for longer and are therefore able to contribute to this workplace stability, skills and knowledge retention and training of staff. Job stability and low job turnover are linked to improved productivity.
19. Similarly, there is some evidence of firm-level productivity benefits from intergenerational workforces, arising from experienced older workers mentoring and supporting younger ones.

Cohorts of 'at risk' older workers can face additional challenges

20. Whilst unemployment has been low and labour force participation high for the past two years, some workers remain in more precarious work situations. These workers may need support to remain able to fully participate in the workforce, particularly in the event of future periods of higher unemployment. Examples of older workers "at risk" include those who have been in physical roles and are no longer able to do the job; those who need but are not able to have greater flexibility due to poor health or to fulfil carer roles.
21. The disruption in climate exposed industries will have a greater impact on older workers because they are more heavily weighted in the roles that will need to change (and even more so for older Māori and Pasifika workers and those in rural/regional areas).
22. Research undertaken following the 2007-2009 global financial crisis showed that older workers are more prone to displacement and take longer to re-enter employment and are more likely to take on lower paid work when they do return. Older workers can also find it difficult to have prior learning recognised (including skills learnt informally on the job) and find appropriate upskilling or training. Those from lower socio-economic groups are even more likely to struggle after unemployment.

23. Māori aged 50+ have higher rates of unemployment (2.7 percent as at July 2022) compared to European people aged 50+ (1.8 percent). The experience of work for some pakeke and kaumātua may involve additional barriers, due to factors such as lower lifetime income and labour-intensive roles and/or lower skilled roles.
24. Women reaching the age of NZ Super entitlement are financially worse off than men. Unemployment rates for older female workers (50+) are higher (2.2 percent) when compared to men (1.8 percent). Women are also more likely than men to report financial reasons as their primary motivation for being in paid work, which may shape their decisions about the type and duration of work in later life.

Discussion points

How can we ensure that our community is aware of this demographic change and the impact it is likely to have on our workforces?

25. This includes a broad picture for the overall economy; at the industry level; and for individual businesses. Whilst some information gathering is taking place, there are knowledge gaps and practice is inconsistent. For example, there are regions and industries with statistically older workforces that have not included actions in their workforce development plans to address this.

How can we ensure that firms, sectors, regions and the economy as a whole are responding to the differing impacts of workforce ageing they face?

26. At the business level, a review of recruitment practices, workforce age profile, identifying at risk roles, considering the age friendliness of the workplace and perceptions among staff of older workers would help prepare us to respond to demographic change and better utilise older workers.
27. Specific responses could include job crafting; improving workplace flexibility (of work, leave, hours) and offering a transition to retirement, which could all help older people to remain in work as they age. Despite the availability of options to support older workers, evidence of firm-level uptake is limited.
28. Older workers can face discrimination in the workplace that impacts hiring and firing practices, promotion decisions and opportunities for advancement. Workplace cultures that do not tolerate discrimination or bias can improve employment outcomes for older workers.

How can we ensure older workers continue to have access to retraining and upskilling as they age?

29. Training and upskilling for older workers needs to be embedded in our workplaces. Older workers are less susceptible to displacement if skills and competencies are developed throughout a career. They can also respond to career shocks if they have the access to retraining and upskilling and the financial support and/or necessary time off work to complete this. There is evidence to suggest that these opportunities may not be made equally available to older employees.

30. Priority for retraining and upskilling could be given to older workers in industries that face transition risks (such as climate or technology risks). There is also a need to plan and consider suitable jobs that these affected people can transition to.

How can we ensure that 'at risk' cohort of older workers have access to the support they need for workforce participation?

31. There may be justification for government intervention to support particular groups of older workers based on particular circumstances, for example those affected by industry decline as a result of efforts to reduce New Zealand's emissions or other major trends.

32. There may be options to better support older workers who continue to work because of their financial position. Ensuring that New Zealand workers are reaching retirement age in a financial position that provides them with real choice about their engagement with work.

Next Steps

- In the 'deep dive' session on the aging workforce, discuss the proposed opportunities and challenges as a Tripartite, using the discussion points in this paper. Determine any gaps and agree on priorities for further analysis and consideration.
- Agree on a suitable future date for further discussion on the ageing workforce by the Forum with a focus on implementing solutions that the Forum agree would be impactful and achievable.