

Department of Labour  
TE TARI MAHI



# OLDER WORKERS LABOUR MARKET OUTCOMES

MARCH 2007

# **OLDER WORKERS IN THE LABOUR MARKET HIGHLIGHTS**

## **Achievements**

- More older people are in work than ever before, and numbers are still growing
- Workers aged 55 and over now comprise one in six of the total labour force
- New Zealand is near the top of the OECD in rates of workforce participation among older people
- The growing pool of older workers has allowed firms to access the valuable skills of experienced workers in a time of widespread skill shortages
- By extending their working lives, older workers have also gained important social and economic benefits such as increasing their opportunity to remain active, to save, and to maintain their living standards

## **Labour Market Characteristics**

- In the past year the number of older people employed has grown by 5.9%, far exceeding growth in total employment of 1.9% over the same period
- The unemployment rate among older people has reached a new low of 1.8%, well below the total unemployment rate of 3.8%
- The proportion of the older population who are working has risen, with their labour force participation rate now at 40.7%, up from 39.7% the year before
- Older men have improved their participation faster than older women in the past year, and their participation rate stands at 49.3% compared with 33.0% for women

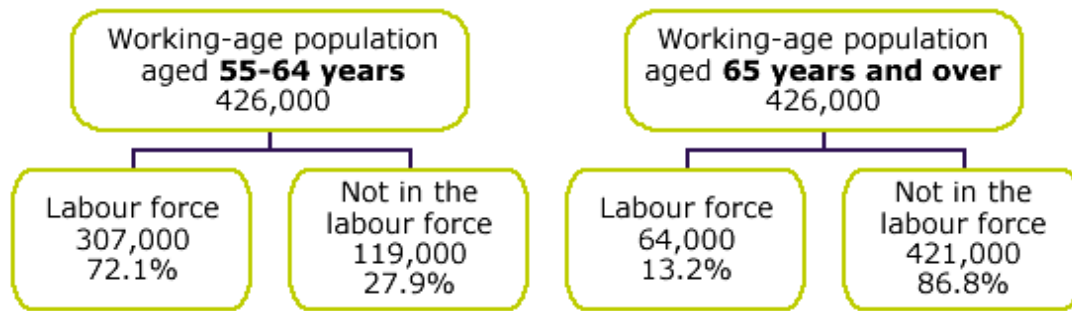
## **Challenges**

- Sustaining the historically high rates of older peoples labour force participation
- Making full use of the skills and experience of older workers who are increasing their share of the workforce

## **Moving Forward**

- Measures to maintain older peoples' participation include:
  - Implementing a carer's strategy, which will disproportionately affect older people because a high number of older people are also carers
  - Increasing the range of work-life balance and flexible work measures to encourage more older workers to extend their working lives

**Summary of the older workers labour market for the year to March 2007**



# **OLDER WORKERS LABOUR MARKET OUTCOMES - MARCH 2007**

## **Purpose**

This report focuses on changes in labour market outcomes for New Zealanders aged 55 years and over in the past five years and gives an indication of near term prospects. Data are sourced from the quarterly Household Labour Force Survey (HLFS) conducted by Statistics New Zealand and are averaged across a year to reduce sample errors and seasonal variation, unless otherwise specified. Terms are defined in Appendix I.

The definition of “older worker” can vary. In this report, older workers are defined as workers aged 55 years and over. This is the age where labour force participation rates begin to decline. Although New Zealand doesn’t have an official retirement age, participation rates start to fall more steeply above the age of 65 when New Zealand Superannuation becomes available. As a result, where feasible, this report makes a distinction between those aged 55-64 and those aged 65 and over.

## EXECUTIVE SUMMARY

More people aged 55 and over are in paid work than ever before. Robust economic growth in New Zealand over the past five years has drawn more older people into work and reduced the number who are unemployed. Increasing numbers of older workers are in high-skilled occupations, and average wages have risen. Key data can be found in Table 1.

The number of older workers has grown by 5.9% for the year to March 2007 compared to growth in total employment of 1.9%<sup>1</sup>. Between March 2002 and March 2007, the size of the older workforce grew by over 100,000 people (42.7%). This represents 43% of the total increase in employment of 256,000 over the past five years.

The increase in the number of older workers is partly due to demographic trends as the baby boomer generation advances into older age groups. However, there has also been strong and steady growth in the proportion of older people who are working (labour force participation rate).

The labour force participation rate for older workers reached 40.7% for the year to March 2007, the highest in the 21-year history of the HLFS. This is up from 39.7% for the year to March 2006 and up from 33.5% five years earlier. In contrast, the "prime aged" 25-54 years age group had an unchanged participation rate over the past year, and experienced a participation rate increase of only one and a half percentage points between March 2002 and March 2007. Participation increases in the past year have been experienced by both older men and women. In the year to March 2007, the participation rate for older men increased strongly from 47.5% to 49.3% and the rate for older women edged up from 32.6% to 33.0%.

In the year to March 2007, those aged 55-64 years had a much higher participation rate (72.1%) than those aged 65 years and over (13.2%), as shown in Figure 1.

The unemployment rate for older workers was 1.8% for the year to March 2007, and is well below the total unemployment rate of 3.8%.

Table 1 shows that the changes by broad industry and occupation group between 2002 and 2007 have been fairly steady and reflect general shifts in industries and the growth in older people's participation overall.

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<sup>1</sup> These are all annualised averages.

**Table 1: Snapshot of older workers labour market outcomes, years to March 2002 & 2007**

<b>Summary Table</b>	<b>2002 ('000)</b>	<b>2007 ('000)</b>	<b>2002-2007 change ('000)</b>	<b>2002-2007 change (%)</b>	<b>2002 – 2007 all age change (%)</b>
<b>Labour force status</b>					
Employed	255.5	364.5	109.0	42.7	13.7
Unemployed	8.1	6.6	-1.5	-18.5	-21.2
Labour force	264.1	370.9	106.8	40.4	11.9
Not in the labour force	524.6	539.5	14.9	2.8	2.0
Working-age population	788.6	910.4	121.8	15.4	8.5
<b>Proportional measures</b>					
Labour force participation rate (%)	33.5	40.7		7.1 <sup>a</sup>	2.1 <sup>a</sup>
Unemployment rate (%)	2.7	1.8		-0.9 <sup>a</sup>	-1.5 <sup>a</sup>
<b>Industry employment</b>					
Primary	33.1	36.3	3.2	9.5	-8.8
Manufacturing (incl utilities)	38.7	50.0	11.3	29.2	-4.7
Construction	13.2	28.8	15.6	117.6	64.0
Trade & accommodation	45.4	63.6	18.2	40.0	12.7
Other services	76.2	112.2	36.1	47.3	14.2
Personal services	48.6	72.0	23.5	48.3	23.2
<b>Occupational employment</b>					
Higher -skilled occupations (NZSCO 1,2)	74.4	112.3	38.0	51.0	22.5
Skilled occupations (NZSCO 3,7)	50.7	72.9	22.3	43.9	16.1
Semi-skilled occupations (NZSCO 4,5,6,8,)	112.7	155.5	42.8	37.9	7.8
Lower skilled occupations (NZSCO 9)	17.2	22.1	4.9	28.3	4.1

Source: Household Labour Force Survey and New Zealand Income Survey, Statistics New Zealand.

Notes: Figures may not sum to total due to rounding.

<sup>a</sup> - percentage point change rather than percentage change.

## BACKGROUND

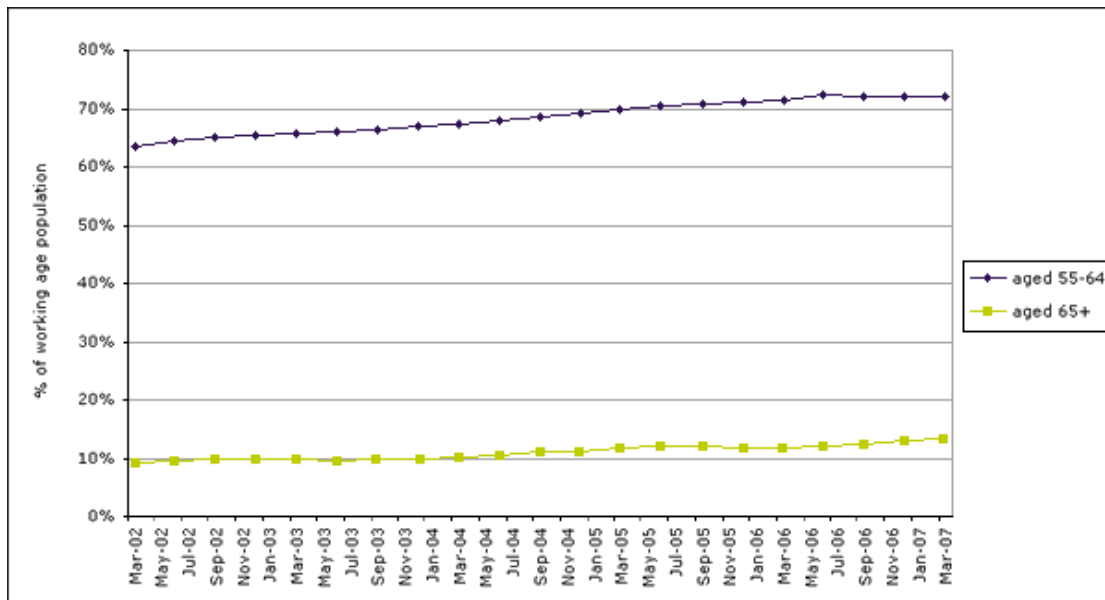
With an ageing workforce in an environment of strong labour demand, it is increasingly important to involve older workers in the labour market and fully utilize their skills and experience.

While a buoyant labour market over the past few years has stimulated the growth in participation of older people, many other factors have influenced this as well. In particular, institutional and regulatory factors, such as raising the age of eligibility to New Zealand Superannuation and the abolition of compulsory retirement, have influenced many people to work longer. More recently, age-related work-test exemptions have been removed for older Unemployment Benefit recipients. Different attitudes towards paid work and careers among the baby boomer generation (particularly women) are also a factor, with more women continuing to work as they move into older age groups than in the past.

In addition, a number of other significant trends have made it easier for older people to be involved in paid work:

- better health and the recognition among older persons of the benefits around keeping active;
- technological change reducing the manual intensity of some work;
- better qualifications among older workers;
- on-going skill shortages have increased older workers' bargaining power.

**Figure 1: Labour force participation trends of those aged 55+ 2002-2007**



Source: Household Labour Force Survey, Statistics New Zealand.

## Unemployment rate

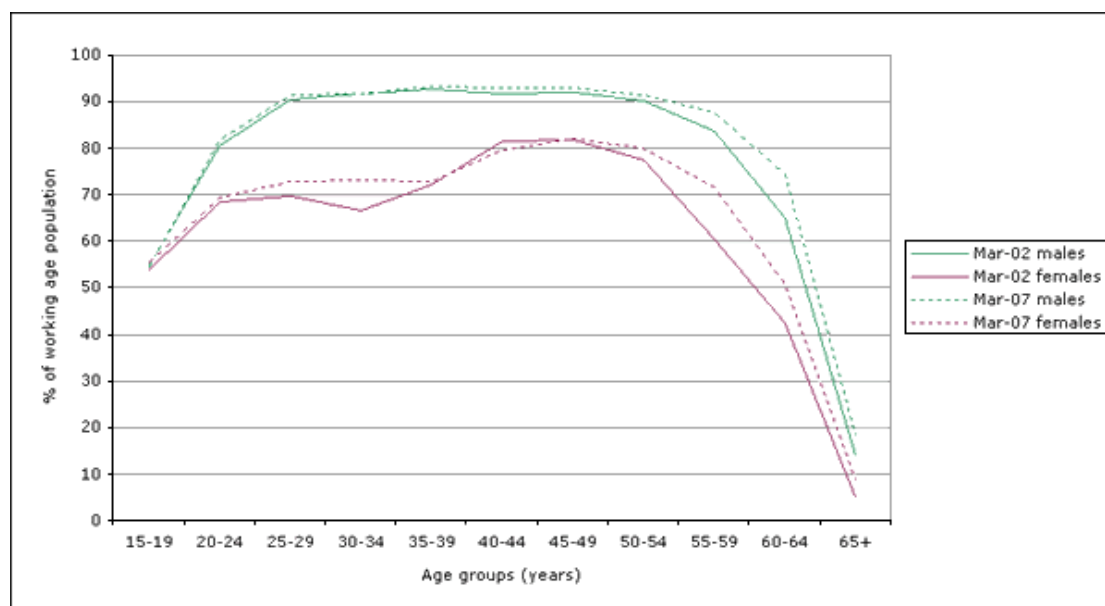
The unemployment rate for older workers was 1.8% in March 2007 and is the lowest annual average rate recorded since the series began in 1986. The

unemployment rate is down from 2.1% one year earlier and 3.2% in March 2002<sup>2</sup>.

## Gender profile

Figure 2 shows that the participation rate has increased over the past five years for both men and women in all older age bands, in contrast to some younger age bands. However, while there has been long term growth in the participation rate of both genders, the increase for older women has begun to slow, (Figure 3). As a result, the gap in participation rates between older men and women widened to 16.3% by March 2007 compared with 14.9% in March 2006.

**Figure 2: Labour Force Participation rates for men and women by age band, years to March 2002 and 2007**



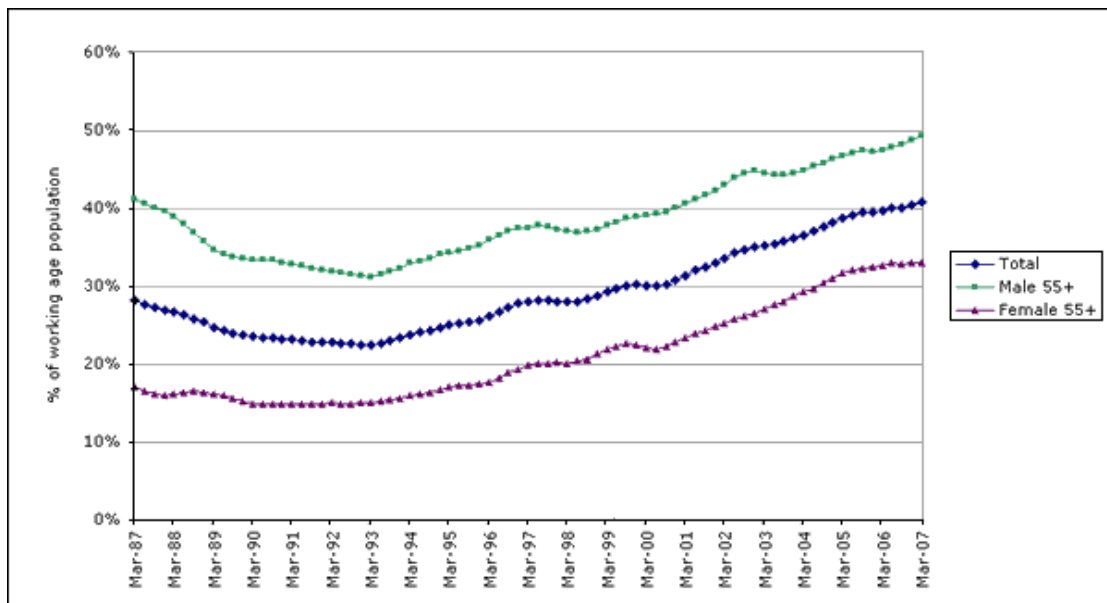
## Future participation

The steady increase in participation for older men and women since the early 1990s may soon start tapering off. This is partly due to the long period since key policy changes were made in the 1990s (such as the abolition of maximum retirement ages and changes to New Zealand Superannuation). Both employee and employer responses to these changes have had time to work through. International comparisons show New Zealand is now at the upper range of older peoples' participation rates (see International Comparisons section). The older male participation rate is still lower than it was in 1970, as noted by the OECD (2006), which suggests further increases would not be historically unprecedented. The older female participation rate is already at a historic high, although it is perhaps beginning to plateau. It is also worth noting that older workers participation rates are sensitive to changes in economic and labour market conditions. A decline in participation, particularly for older males, coincided with

<sup>2</sup> Older persons' unemployment rates may be below average because more older workers tend to withdraw from the labour market entirely following job loss. Once inactive, they are then less likely to move back into work than their younger counterparts. (OECD "Live Longer, Work Longer" 2006)

the economic downturn from the late 1980's until 1992, with a slight dip evident around 1998 as well.

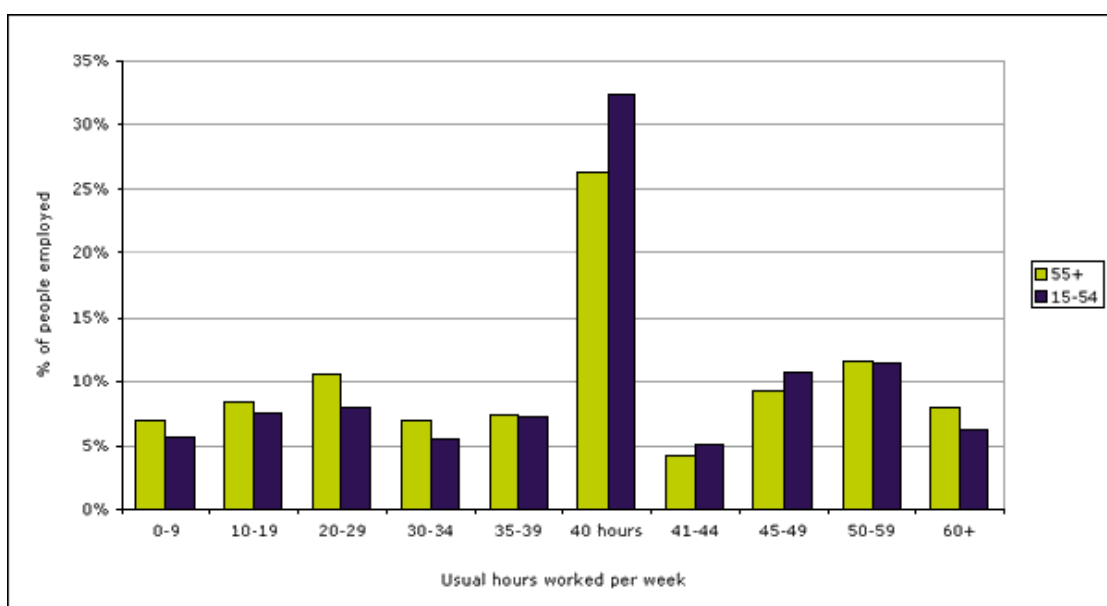
**Figure 3: Long-term participation trends for older men and women, 1987 to 2007**



### Hours of work

The intensity of work has increased for older workers. Over the past five years, the proportion working 40 hours or more has increased from 56.6% to 59.5%. Conversely, the proportion working part-time has fallen by a similar amount from 29.9% to 26.0%. While this partly reflects the strong demand for labour, the proportion of older workers working 50 hours-plus is higher than the proportion of workers aged 15-54 (19.6% versus 17.8%). This percentage of older workers working long hours is very high by OECD standards.

**Figure 4: Distribution of weekly hours worked 55 plus versus 15-54, year to March 2007**



## Compositional change across industries and occupations

Older workers had declining employment over the 2002-2007 period in the primary industries and to a lesser degree in manufacturing, (see Table 1). The percentage of older workers employed in these two sectors fell from 28% to 24% over the latest 5 year period. In other industry groups, (trade and accommodation, construction, personal services and other services), older workers have slightly increased their employment share.

Across broad occupation groups, older workers have achieved stronger employment growth in the faster growing occupations such as managers, professionals, trades and technicians. These occupations are generally higher skilled, more knowledge intensive and more likely to command better prospects and higher wages.

## Wages<sup>3</sup>

The average (mean) hourly wage has grown significantly for all three older age groups between 2001 and 2006. Those aged 60-64 experienced the strongest five-yearly wage growth, a 27.2% increase from \$16.00 to \$20.30. They were followed by the 55-59 year age group with a 24.5% increase in hourly wages from \$17.10 to \$21.20 (see Table 2 for further details).

Hourly wage growth for older workers was similar to the 22.3% hourly wage growth for the overall population. This broadly indicates that the expansion of the older labour force has not occurred at the expense of a shift into lower waged work. The data on older people's wages also supports international evidence suggesting that, in a supportive work environment, skill levels and productivity decline only very gradually with age<sup>4</sup>.

**Table 2: Average hourly wage rates for older workers**

Average hourly wage rates	2001 (\$/h)	2006 (\$/h)	2001-2006 change (\$/h)	% change
55-59 years	17.10	21.20	4.10	24.5
60-64 years	16.00	20.30	4.30	27.2
65+ years	16.50	20.10	3.60	21.7
Economy-wide	16.40	20.00	3.60	22.3

Source: New Zealand Income Survey, Statistics New Zealand.

## Ethnic differences<sup>5</sup>

Labour market outcomes for older people vary considerably by ethnic group. In March 2007, Maori had the highest participation rate (64.7%) followed by European (58.1%), Other<sup>6</sup> (55.2%) and Pacific peoples (54.9%). However, the pattern is different for unemployment. Europeans had the lowest unemployment

<sup>3</sup> Information about wages is collected annually in the New Zealand Income Survey, a supplement to the HLFS.

<sup>4</sup> Live Longer, Work Longer. OECD: 2006

<sup>5</sup> For ethnic data, the age group 45 plus has been used to represent older workers.

<sup>6</sup> The "Other" ethnic group includes all those who do not identify as European, Maori, or Pacific Peoples.

rate for March 2007 at 1.5% followed by Other (3.3%), Maori (3.6%) and Pacific peoples (3.8%). When comparing different ethnic groups, results may be skewed by differences in the proportions of the sub-populations aged over 65 years. For instance, the relatively low European participation rates reflect a much higher proportion who are in the higher age group (65 plus) and who are therefore more likely to be retired. Detailed outcomes are shown in Table 3 below.

**Table 3: Labour market outcomes by ethnicity, years to March 2002 and 2007**

	<b>2002 %</b>	<b>2007 %</b>	<b>2002–2007 change (percentage point)</b>
<b>European</b>			
Labour force participation rate	54.1	58.1	4.0
Unemployment rate	2.6	1.5	-1.1
<b>Maori</b>			
Labour force participation rate	57.4	64.7	7.3
Unemployment rate	6.7	3.6	-3.1
<b>Pacific Peoples</b>			
Labour force participation rate	48.6	54.9	6.3
Unemployment rate	5.8	3.8	-2.0
<b>Other</b>			
Labour force participation rate	48.3	55.2	6.9
Unemployment rate	8.3	3.3	-5.0

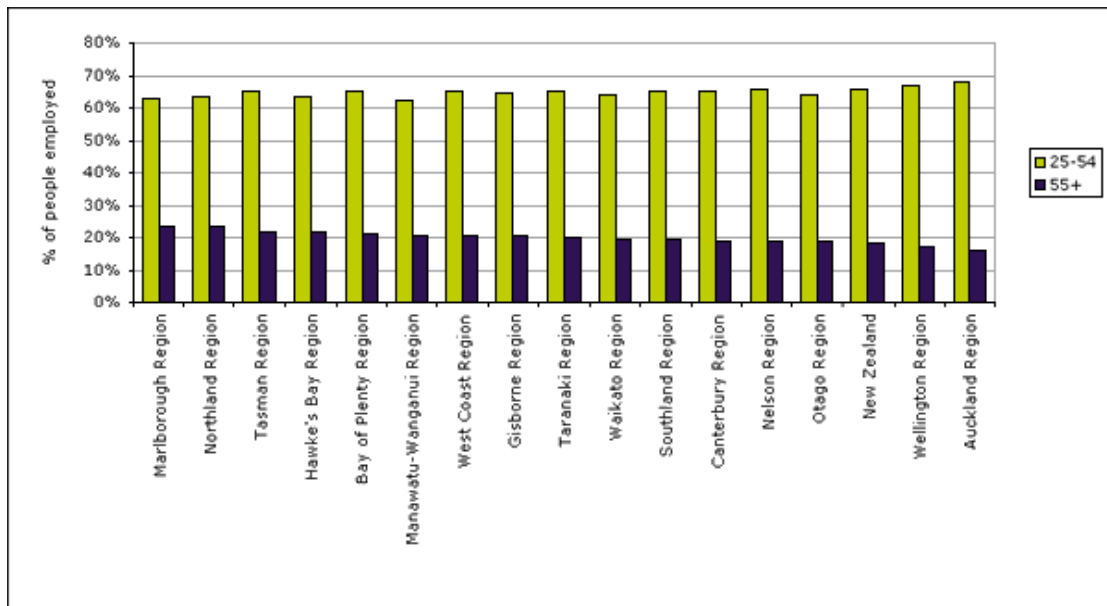
## Self-employment

Older workers are more likely than other age groups to be self-employed or employers. Both in New Zealand and overseas, older workers frequently indicate a desire for more flexibility and more control over their work patterns and find that self-employment gives a wider range of options to use their accumulated skills, knowledge and experience. In the year to March 2007 27.5% of older workers were self employed or employers, down from 29.6% one year earlier. Over the longer term there has been a slight decrease in the proportion who are self-employed or employers, down from 31.2% in 1991.

## Regional differences

Figure 5 shows the percentage of older workers and “prime aged” (25-54) workers in each regional council area. The regions with the highest proportion of their usually resident workforce aged 55 and over are Marlborough (23.6%), followed by Northland and Tasman (23.4% and 21.8% respectively). The regions with the lowest proportion of those employed aged 55 plus are the main urban areas of Auckland and Wellington (15.9% and 16.9% respectively). This demonstrates that older workers tend to be proportionately more prevalent in rural areas of New Zealand.

**Figure 5: Percentage of older workers in each region 2006**



Source: 2006 Census of Population and Dwellings, Statistics New Zealand.

## International Comparisons

Labour force participation rates for older people vary widely across the OECD. They range from less than 40% in Turkey to over 85% in Iceland.<sup>7</sup> With a participation rate of 74.9%, New Zealand recorded the 4th highest out of 31 OECD countries for the 50-64 years age group in 2004. New Zealand's participation rate increase of over 13 percentage points in this age group over the years 1994-2004 was second only to that of the Netherlands.

<sup>7</sup> OECD participation rates for older people are standardized to cover the ages 50-64 to allow for comparison with all countries

## **APPENDIX I: LABOUR MARKET TERMS AND DEFINITIONS**

The main terms from the Household Labour Force Survey (HLFS) that we use in this report and a chart that shows how they relate to each other are provided below:

**Working-age population:** the number of usually resident non-institutionalised civilians aged 15 years and over. All labour market figures relate to those aged 15 years and over. In respect to the older population, it is useful to note the following institutions are excluded from the HLFS working age population estimates: Homes for the elderly, retirement homes, public or private hospitals, and convalescent homes.

**Employment:** the number of people in the working-age population who work one hour or more per week.

**Full-time/part-time employment:** full-time workers usually work 30 hours or more per week and part-time workers usually work less than 30 hours per week.

**Unemployment:** the number of people in the working-age population who are not in work, but who are available for and actively seeking work.

**Labour force:** the number of people in the working-age population who are either in work or are available and actively seeking work (that is, employed or unemployed as defined above).

**Not in the labour force:** the number of people in the working-age population who are not in work and are either not available or not actively seeking work (i.e. they are not employed and not unemployed). For example, people who are retired, studying, or at home looking after children.

**Labour force participation rate:** proportion of the working-age population in the labour force.

**Unemployment rate:** the proportion of the labour force that is unemployed.

**Employment rate:** the proportion of the working-age population that is employed.

**Ethnicity:** ethnicity is self-perceived and people can belong to more than one ethnic group. In the HLFS, people with multiple responses to the ethnicity question are assigned to one ethnic group using this prioritisation: Older workers; Pacific Peoples; Other ethnic groups; European.