



# **SKILLSINSIGHT: FUTURE RETIREMENT PATTERNS**

February 2010

## **1. Introduction**

This *SkillsInsight* report presents findings of the Department of Labour's (the Department) analyses on retirement patterns across major skill categories for the past (2001–2006)<sup>1</sup> and future (2006–2016). The Department developed a methodology to measure historical and future retirement rates<sup>2</sup>. The retirement rate shows the proportion of those in an occupation who will leave the workforce due to retirement on average.

The major skill categories used in this report follow the New Zealand Standard Classification of Occupations (NZSCO)<sup>3</sup>. The major skill categories are: highly-skilled, skilled, semi-skilled and elementary. Examples of occupations in each of these skill types are:

- Highly-skilled: Legislators, administrators, managers, and professional occupations
- Skilled: Technicians and associate professionals, trade workers
- Semi-skilled: Clerks, service and sales workers, agriculture and forestry workers
- Elementary: plant and machinery operators and assemblers, and general labourers

This report is one of several reports prepared as a supplement to the [SkillsInsight tool](#). For any questions about the data contained in this report or the analysis available from the Department of Labour, please contact [info@dol.govt.nz](mailto:info@dol.govt.nz).

## **2. Retirement rates are increasing for all skill categories**

During 2001 to 2006 an estimated 1.2 percent of workers across all occupations retired, on average, from the workforce. Figure 1 shows that retirement rates are forecast to increase for all major skill categories over the 2006-2016 period. The Department's forecasts suggest that retirements will increase to 1.6 percent of the workforce on average during 2006-2011 and to 2.2 percent on average during 2011-2016.

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1 Census years.

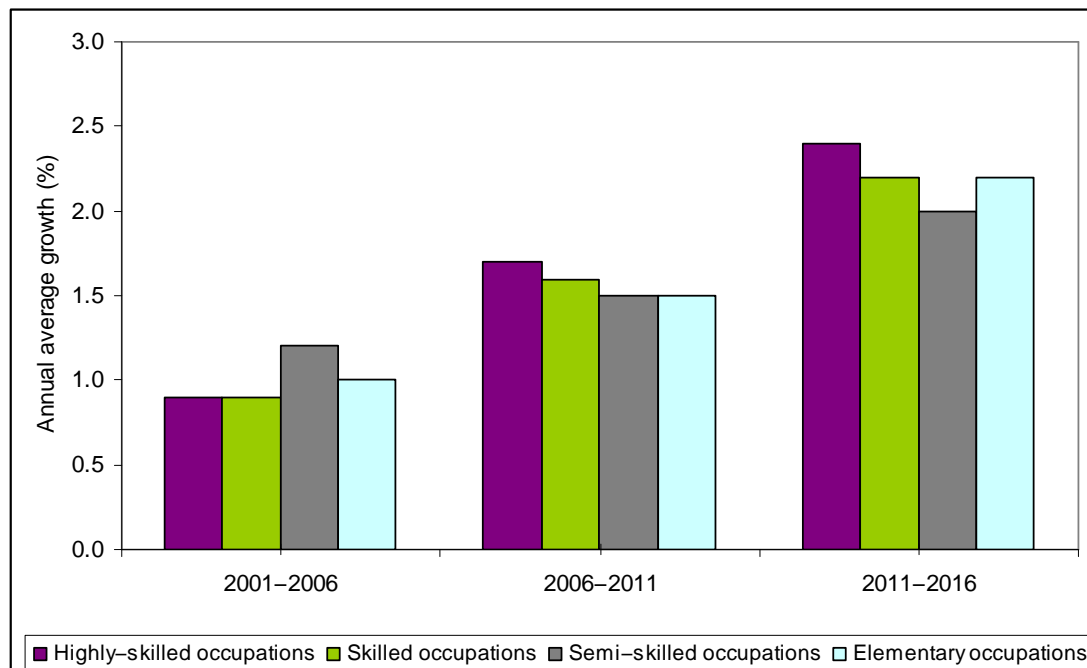
2 For more details on retirement rate calculations developed by the Department of Labour, Contact: [info@dol.govt.nz](mailto:info@dol.govt.nz).

3 For occupational classification structure refers to New Zealand Standard Classification of Occupations, 1999 Manual.



The increase in retirements is linked to the movement of the large baby boom cohorts into the retirement ages. As many older workers leave the workforce this will have implications for succession planning and the recruitment of younger workers into these occupations.

**Figure 1: Historical (2001-2006) and forecast (2006-2011 & 2011-2016) net retirement rates for major skill categories**



Source: Department of Labour estimates and forecasts

### **The ageing population will disproportionately affect highly-skilled workers**

Given the ageing of the workforce as a whole, the impact will be even more noteworthy for highly-skilled workers. It is projected that highly-skilled workers will have the highest retirement rates over the ten years to 2016. The retirement rate of highly-skilled workers will be 1.7 percent on average between 2006 and 2011, increasing to 2.4 percent during 2011-2016. This compares to the average result of 1.6 percent and 2.2 percent for all occupations.

The slightly higher level of retirement for highly-skilled workers will occur alongside the strong employment growth expected for this occupation group. The Department's employment forecasts suggest that employment for highly-skilled workers will increase by 3.0 percent per annum during 2008-2018, compared to 1.0 percent for all workers. When combined with the higher than average retirement rate for this group, it is likely that there will be added pressure on the demand for workers in this group.

In contrast, semi-skilled and elementary level occupations are projected to have slightly lower retirement rates over the 2006-2011 period compared to the workforce as a whole. Semi-skilled occupations will continue to have a lower



retirement rate compared to the overall average during 2011-2016 while the rate for elementary level workers will converge with that for all occupations.

### **Selected highly-skilled occupations will have particularly high retirement rates**

#### *General managers*

A comparison of highly-skilled occupations (see Figure 2) shows that general managers will have a particularly high forecast retirement rate over the 2006-2011 period. An estimated 3.2 percent of general managers are expected to retire on average up to 2011, dropping slightly to 3.0 percent between 2011 and 2016.

**Figure 2: Forecast retirement rates for some highly-skilled occupations, 2006-2011 & 2011-2016**



Source: Department of Labour estimates and forecasts

#### *Health professionals and nursing and midwifery professionals*

Retirement rates will increase sharply for health professionals (e.g. general practitioners, surgeons, physicians) and nursing and midwifery professionals (e.g. registered nurses, occupational health nurses, Plunket nurses, Midwives) during the 2011 to 2016 period with more than 3.0 percent of those in these occupations retiring on average during this period.

Between 2008 and 2018 it is anticipated that employment growth for health professionals will increase by 1.9 percent per annum compared with 1.0 percent for all occupations.



### Teaching professionals

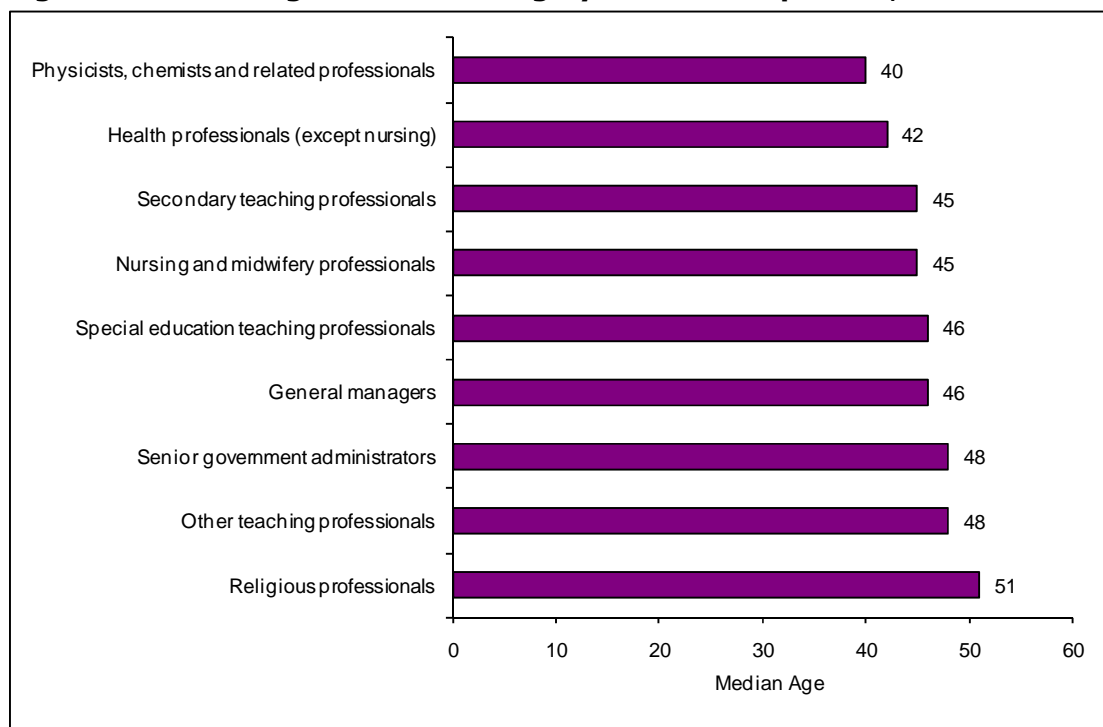
The teaching workforce will also see an increasing proportion of its workforce retire from 2011 onwards. An estimated 3.2 percent of secondary school teachers and 3.3 percent of special education teachers are expected to retire on average between 2011 and 2016.

### 3. Median age of occupational groups

The higher retirement rate for the occupational group of general managers and some others is linked to the older age profile of this occupation. In 2006, half of general managers were aged 46 years and over. This compares to 41 years for all occupations.

Figure 3 shows the median age of selected highly skilled occupations

**Figure 3: Median age of selected highly skilled occupations, 2006**



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

These findings have important implications for workplace planning. As an example, secondary school teachers will experience a small employment growth of 0.2 percent per annum during 2008-2018, but new workers will still be required to replace those who retire from the workforce. The same applies to the special education teaching professionals.



#### **4. Summary**

Across all occupations, retirement rates are expected to increase over the 2006 – 2016 period. The increase in the retirement rate is expected to be the highest for highly skilled occupations. Combined with the strong employment growth forecast for these occupations, it appears that highly-skilled workers will continue to be in strong demand.