

Hon John Carter

Minister for Senior Citizens



2 May 2010

Speech

The Business of Ageing

West Foyer, Parliament, 5.30pm

Good evening and thank you for coming to this event.

I would like to acknowledge my Parliamentary colleague Hon Kate Wilkinson; Peter Hughes; Business New Zealand's Phil O'Reilly, who is also going to speak this evening; ladies and gentlemen.

We are here for the launch of the report published by the Ministry of Social Development, *The Business of Ageing, Realising the economic potential of older people in New Zealand: 2011-2051*.

I would like to read a quote at the start of the report, from John Beard, Director, World Health Organisation Department of Ageing and Life Course:

"Governments around the world need to invent a new future to tackle the needs and possibilities of an ageing population. Business as usual is just not an option. A 70 year old of today expects a very different role to what their parents experienced. We need to be brave enough to invent a future that is not simply a different shade of the past."

We hear a lot about the needs of an ageing population but what about the possibilities? I particularly like that line from the quote: **We need to be brave**

enough to invent a future that is not simply a different shade of the past.

This report aims to encourage discussion and highlight the potential of older people's contributions to the New Zealand economy in the next 40 years.

Government cannot work in isolation to develop priorities for older people. I hope this report adds to the body of knowledge that will encourage thought and action among government agencies, non-government organisations, business groups and individuals.

As Minister for Senior Citizens, I'm pleased to have this chance to talk about opportunities with you; leaders of our business community. The opportunities I'm referring to are our maturing baby boomers – a generation of older people the likes of which we have never seen before.

I am going to talk about the benefits an increase in the number of older people remaining active in the workforce present, as well as why businesses might want to look at tapping into this growing consumer market.

This ties in with two of my key priorities as Minister for Senior Citizens, which are:

- encouraging employment of mature workers; and
- promoting positive attitudes about ageing.

Of course the Government is aware that population ageing is important fiscally. But we believe New Zealand has a sustainable pension system.

This government has committed to maintaining New Zealand Superannuation payments at 66 per cent of the after-tax average wage, from the age of 65.

What will enable the government to keep paying Superannuation into the future is a healthy, growing economy. The Budget this month will set out several measures that will help the Government return to budget surplus.

These include building faster growth from savings, exports and productive investment, rather than excessive borrowing and increases in government spending.

This government believes our citizens 65 and over deserve recognition for their contribution so far and that is why we have New Zealand Superannuation.

The government also believes in letting people take responsibility for their own lives. So how they plan for their retirement, or how long they want to stay in paid employment, or if they want to combine the two, is up to them individually.

I hope that this report will help broaden the discussion about our ageing population to something more than the sustainability of a pension system and the perceived economic burden of the aged.

Discussion needs to include the potential of older people as well – as workers contributing to the economy and subsequently, as valuable consumers. We are looking at a totally different view of ageing to what we have seen in the past and savvy businesses around the world have already cottoned on to this.

A whole new marketing language is emerging among businesses that are “turning silver into gold”.

Most importantly, a shift in thinking is occurring. There is a realisation of the economic potential of older people.

In January this year, the first of the New Zealand baby boomers reached 65 years of age. This refers to the generation born between 1946 and 1964, of which, I am one.

Baby boomers will be healthier, better educated and have more spending

power than any other generation reaching 65 in New Zealand's history.

They have high expectations of a lifestyle that allows them to continue earning and spending what they earn on active pursuits, such as travel.

The baby boomers have re-written the rules throughout their lives, so why should their older years be any different?

In less than 20 years one million people in New Zealand will be over the age of 65, compared to about 560,000 today.

And in 40 years time, one in four people will be aged over 65, compared to one in eight today.

There are a lot of statistics in this report and I am not going to repeat too many of them; I want you to read the report after all.

New Zealand is not the only country looking at an ageing population. Globally, we can share ideas and learn from each other as we look to balance the increased pressure on the public purse of an ageing population with the flip side of the coin – the opportunities of a largely fit, active and economically powerful demographic.

I am not denying the projected picture of older people dependent on a shrinking workforce. I am suggesting we discuss how we can mitigate the inevitable.

The notion that thousands of energetic, healthy, involved people are going to mark their 65th birthday by suddenly giving up and becoming dependent seems, quite frankly, bizarre.

The Business of Ageing presents new research on the future economic contribution of the growing older population.

The research tells us that:

- more older people will participate in the workforce - by 2051, older people could account for one in 10 New Zealand workers
- the economic value of older people's paid and voluntary work will increase - their earnings from employment could rise from just over \$1 billion to about \$10 billion
- older people's contribution to tax revenue will increase - from about \$200 million today to about \$1.8 billion
- older people will spend more - from about \$11 billion now to more than \$45 billion.

Baby boomers present prime opportunities for growth over the next 40 years if we look at the value of their skills, knowledge and spending power.

The report states about 16 percent of all people aged over 65 are currently in the paid workforce, and research shows that twice as many would like to work.

So how we can best utilise this resource?

Employers need to retain the skills, knowledge and experience of older workers. Mature employees have had time to hone their skills. They've had more decisions to make and learn from. They have learned good judgment based on experience. They've seen and done more.

From now on, the supply of older workers is going to grow much more than the supply of younger workers thanks to the shifts in our population make up.

That is by no means a bad thing.

Research proves that the productivity of mature workers is equivalent to, if not better than their younger counterparts.

To retain these older workers in our workplaces it is important to ensure that mature age workers (the younger baby boomers aged 45+) are supported to be active in the workforce and not discouraged from continuing in paid work past age 65, if they so choose.

Several companies in New Zealand and other OECD countries facing similar challenges have adopted a range of initiatives and responses to ageing issues. These include age-friendly infrastructure, flexible workplaces, active ageing policies, and removing barriers to older worker employment.

Genesis Energy, for example, uses the technique of pairing younger maintenance people with older engineers so younger workers can learn from the older employee's experience, while doing more of the heavy work.

The report gives other examples of how businesses value and utilise age and experience.

Older people also make a significant economic contribution in an unpaid capacity. The research includes in its projections the likely value of unpaid and voluntary work by people aged 65 and over.

This is expected to rise from an estimated \$5–6 billion in 2011 to more than \$22 billion in 2051.

Work-life balance is relevant at all ages, and flexible workplaces will enable older workers to contribute in both paid and unpaid capacities.

Older people will at some point want to transition from paid work to other productive activity: supporting their families, volunteering and getting involved in community activities.

It has to be about choice, and making sure New Zealand values the benefit of

older people participating in economic and social life.

And some of the unpaid work has a positive impact on the economy, for example, grandparents caring for grandchildren to allow the parents to work.

I also want to highlight the growing power of the older consumer.

No other mature generation has been as wealthy or as populous as our baby boomers.

They are about to become one of the most significant markets in New Zealand, with their own needs and preferences that are quite different from earlier generations of older people, and also quite different from younger people.

People over 65 are predicted to be our only growth market in terms of demography.

The implications of a rapid rise in the spending power of older people are enormous. Savvy businesses are already responding to the changing needs of the growing number of older consumers, using market, design and social research to better target their products and services.

I encourage you to look closely at the implications for your business in *The Business of Ageing's* economic projections.

It's not just products businesses need to think about, but also the way they serve people. Research shows older customers often prefer to be served by people their own age. In the US, retail giant Wal-Mart has recognised that having seniors as employees attracts older customers, and they deliberately employ older people for that reason.

We have some good examples in New Zealand where businesses and

research institutes have begun to respond to market demand in biotechnology, medical technology and robotics.

In conclusion, I would like to reiterate that there are opportunities that come with an ageing population that is like no other before it.

We need to think outside the square to maximise these opportunities.

I have a vested interest, I'm a baby boomer. But I'd like to think New Zealand can lead the way in changing attitudes towards ageing. If we do that, there will be economic benefits over the next 40 years.

I am keen to hear your thoughts and ideas. Thank you.