

## State of the Nation – New Zealand

### The importance of New Zealanders aged 55 plus to the economy – wealth, spending power and contribution through employment

By Michele Levine, CEO Roy Morgan Research  
March 15, 2012

Thank you for coming along to this **State of the Nation in which we will provide a new perspective on New Zealanders aged 55 plus** – and their importance of to the economy in terms of their wealth, spending power and contribution through employment.

Last time I was in NZ, it was only days before the last election – we were here with the Reactor. Some of you may remember – the polls including the Morgan Poll were showing a strong lead for John Key and the National Party – yet the debate was clearly won by Phil Goff. I want to come back to that. I think when we look at some of the broad societal trends that are emerging in New Zealand, the context within which John Key and a Conservative Government had to be returned – will be very obvious.

Broadly speaking, New Zealanders are supportive of their current Government, as shown by the last election, when the National Party was re-elected with an increase in support. But there has been some loss in confidence recently.

Today support for the Key National Government is 45.5% (almost 2 points lower than at the 2011 election) but ahead of Labour on 31.5%, and if an election were held today the National Party would be returned.

55% of New Zealanders agree *‘The Government is doing a good job of running the country’*.

The Roy Morgan **Government Confidence Rating** is now 121. This is about 7 points higher than February a year ago, but is down 12 points in a month, and is the lowest since the 2011 election.

Now 53.5% of New Zealanders say New Zealand is heading in the right direction; 32.5% say *‘wrong direction’*.

It is worth pointing out that in Australia, Government Confidence has slipped below the 100 mark – so more Australians believe the ‘*country is heading in the wrong direction*’ than ‘*heading in the right direction*’.

It is not the intention of this presentation to focus in detail on New Zealand Australian comparisons – but at times the comparison does provide a useful context.

The latest ANZ-Roy Morgan **Consumer** Confidence is now 113.3 – again higher than a year ago, but lower than recent confidence figures.

Today I’d like to give you a brief status report on the **State of the Nation – New Zealand** – where New Zealanders are today, how things have changed over the last decade with a particular focus on the ageing population and what that means for New Zealand economically.

New Zealanders were asked in January 2012 what they considered were the major issues facing the world and New Zealand. This is an open-ended question, and people can respond any way they like.

Clearly the issue considered to be the most important facing the world was to do with economic matters (51%), these mainly included the financial crisis/recession and the gap between the world’s rich and poor.

It is worth noting by way of comparison that the same survey conducted in Australia in January 2012 also had economic issues clearly on the top with 47%.

Other major world issues New Zealanders were: the environment (16%), terrorism/security (9%) and social issues (9%). The main environmental issues were climate change/global warming and natural disasters, whereas major terrorism and security concerns centred around wars and conflicts. Social issues considered important included greed and social apathy.

When it comes to the issues facing New Zealand there is again an overwhelming concern for economic issues, with 51% believing they are a major problem. The specific concerns in this area were to do with the financial crisis, inflation and exchange rates, and unemployment and job security.

The level of concern for the New Zealand economy is far higher than we saw in the same poll run in Australia where the concern for economic issues was only 35% (January 2012).

Social issues continue to rise as an important concern in New Zealand (21%), with crime/law and order and child abuse/lack of care for children problems standing out as most prominent.

As with Australia, the environment has declined as an area of concern (11% compared to 19% in October 2011), although this is likely due to decreased attention on last year's Rena Oil Spill. Natural disasters were the major specific concern in this area.

Some 6% of New Zealanders mentioned issues relating to government/politics/immigration and human rights: it is concern for government, politicians and leadership which account for most of this.

So there is no question the issues top of mind for New Zealanders are economic – everything is seen through an **economic lens**.

More than 10 years ago, Roy Morgan Research and many others anticipated that Australia, New Zealand, and indeed, the Western World, would change, that we would face an increasingly complex society with a whole range of different opportunities and threats.

One of the obvious trends was always the ageing population. First of all, we are all getting older. The number of people 50 and over has increased from 27% of all New Zealanders aged 0+ in 2001 to 31.5% now.

A change like that is substantial. I like to use the analogy of a 3 or 4 degree increase in the temperature of the ocean – it matters.

This ageing population phenomenon was generally seen in rather negative terms

Even in writing this paper there were age jokes flying around and debate about where we would draw the line (so people landed the right side of “old”).

But seriously – this ageing population phenomenon was generally seen as a problem rather than an opportunity. Fewer working people supporting an increasing number of non productive people, with increasing medical costs and ever increasing worries about security and an inability /unwillingness to embrace change - net net an increasing economic burden.

Indeed if nothing in society had changed and there were simply more older people – that equation may well have been correct.

But of course much has changed – the role of women has changed and changed society, technology, education, work, leisure, wealth distribution etc – and those changes have made all the difference – and then there is the Baby Boomer phenomenon.

The most significant trend was really obvious in hindsight – and that was the Women's Movement – everything to do with women's roles in society. The Women's Movement had implications for the age at which women had children, their education levels, their engagement in the workforce, and changes in the workforce as a result of women taking up senior positions and a whole raft of other changes.

Technology is another area that change was anticipated with associated implications for media and communications and globalisation and for increased access to information, services and employment.

At Roy Morgan Research we have been tracking all these issues and more.

Roy Morgan data clearly shows that the last decade or so has been a time of great change and I hope in the next twenty minutes or so to show that these changes form the context within which our ageing population represents a real asset not a burden and to suggest that this asset can only be fully realised when the political will exists to listen to and engage with this potentially powerful sector. And that business ignores this powerful segment at their peril.

### **So yes New Zealand as a nation is getting older but**

New Zealanders are better educated. The change in education levels is dramatic. New Zealanders have gone from tertiary education levels of about 15% 10 or 12 years ago up to 23.5%. (This is people aged 14+, so many are still at school.) We all understand there are far reaching consequences of this change in education levels – not only for how long kids stay at home, adding to the high cost of education for parents but also associated longer engagement of parents with adult kids. There are implications for the work New Zealanders can and want to do, the level of understanding and critical scrutiny that can be expected from the population about all kinds of issues.

New Zealanders are becoming more open-minded and progressive. Although only 25% of New Zealanders consider themselves to be Socially Progressive, this hasn't changed in the last decade, and as a nation, New Zealanders are much more open-minded and 'liberal' on issues like whether homosexuals should be allowed to adopt children (56% now say yes, up from 38% a decade ago).

We are also seeing really strong growth in support for technology and the recognition of the value it adds to the lives of New Zealanders (38% now believe computers and technology give them more control over their lives, up from 25% a decade ago). All of these things are leading to the conclusion that New Zealand is more socially progressive as a nation.

Conservative views are also on the decline. And concerns about security and safety are also on the decline.

### **There is no evidence that our ageing population is holding us back – indeed the same increasingly progressive attitudes are seen across all age groups.**

It's interesting that while Australians are more likely than New Zealanders to say they '*consider themselves to be Socially Progressive*', on all the obvious measures there's little evidence to suggest that is true. Similar numbers in both countries support technology, and

worry about the fundamental values of society, safety and security. And in fact Australians are less likely to support homosexuals adopting children.

So considering yourself Socially Progressive doesn't necessarily make it so.'

We have noticed a difference – over time and between the two countries.

In the early part of this decade both New Zealand and Australia were increasingly interested in new things and new ideas – but this began to wane in New Zealand around 2004/2005, while in Australia it continued until 2009 – after the GFC.

There are also changes in the leisure patterns of New Zealanders.

There are two clear themes:

First there is a move away from group activities like group sports participation – those activities when you have to book a time and be there or you'll let people down - to activities that are more individualistic and more focussed on personal health and personal wellbeing, rather than being part of the team.

The second theme or trend is the move towards Online activities. There is still the engagement, leisure still involves friends but people are doing a lot more online. People are doing a lot more in their own time – rather than planning and doing things in groups. We are seeing less entertaining of friends and relatives that requires a bit of booking and planning and going somewhere specific. Day trips in the car that require preplanning are trending down.

We are also seeing a decline in holiday intention. Now only 72% of New Zealanders intend to take a holiday in the next 12 months (down from 77% a decade ago – but still higher than Australia).

Like Australia though the trend is away from domestic holidays – a trip within New Zealand – and towards overseas holidays.

So there are some key things about the way that New Zealanders spend their leisure time that are changing.

## **Technology**

The past decade or so has seen a proliferation of information and communication technologies. In particular, the rise of the internet has had a major impact on all aspects of life, especially telecommunications, media, banking, entertainment, social interaction, real estate and retail. (More than 9 in 10 New Zealanders have used the internet, 93%).

Broadband and mobile phones are growing to dominate the communication space and displacing the traditional fixed land line. Mobile telephones (87%) are now ahead of fixed

line and represent **a revolutionary move to person to person communication rather than the traditional household to household.**

Broadband services and home internet are clearly making a huge difference to a whole range of things in society. And this has only increased with the new mobile wave.

The next chart looks at the different forms of media - clearly broadband and use of the internet is going up. TV is worth looking at – we hear all the time that TV viewing is dropping, that no one is watching TV anymore. Well, that is just not true.

More than 9-in-10 New Zealanders watch commercial TV on a weekday.

Whilst traditional media such as TV and Print are still ubiquitous, there has been a rapid rise in the use of the internet, putting pressure on all other media.

There has been some blurring of the traditional media boundaries, for example, print has embraced online in order to increase its readership, and on-line is just getting better and easier and more intuitive all the time. And with mobile access and more and more applications “apps” will continue to grow

Along with the internet growth, obviously all sorts of websites are becoming available and people are using more and more of them.

The big ones are Search and Portals. 80% of New Zealanders visited a Search website in an average 4 week period in 2011, and 69% a portal.

Search is crucial because it makes information available to people – all sorts of information, available to all kinds of people – there’s nowhere to hide once people are using search. And everyone, regardless of age, can access everything and keep up with the latest in any area of interest or endeavour.

Community and messaging sites are an especially interesting phenomenon because the engagement is no longer just a one way communication – these sites allow us to talk back. It’s a whole two way communication - it’s another level of engagement that allows people to throw their thoughts out there and see whether other people listen.

A whole lot of things are increasing but the Online community is an important phenomenon that, itself, is a key driver of change.

In an average 4 week period in 2011, the majority of New Zealanders (65%) visited a community / messaging site - some 54% of New Zealanders visited Facebook.

It has not peaked - Facebook is still growing – it’s a place where people are communicating, sharing, having their say, talking about you and me, whether we like it or not. 38% visit YouTube.

Although we hear a lot about Twitter and see the tweets coming through on the bottom of our TV screens, in fact, penetration of Twitter is still running at about 4% ie 4% of New Zealanders have used Twitter in an average 4 week period. – Hardly mainstream yet!

When we started to measure the internet the main metric was ‘Do you use the internet once a month?’ Now I don’t think anyone uses it once a month! Roy Morgan data shows more than half the New Zealand population (57.5%) are using the internet more than once a day, it’s almost always on. So not only do a lot of people have access to the internet but it really is ‘on’ a lot of the time.

These levels of internet engagement recorded in New Zealand are substantially higher than recorded in Australia (by roughly 10% in most cases).

One exception is banking – New Zealanders are just as likely as Australians to use the internet for banking – however a clear majority (53%) still visit the bank branch.

Just recently, in Australia banking over the internet overtook going to do banking at a branch. This is a real change for the way that people engage, even with important resources like their bank. This shows how our behaviour is changing and how service providers are having to change their offerings to keep up with our demand and to keep competitive with their competitors.

When Roy Morgan first started to measure it, buying on the Internet was quite low, 21% of New Zealanders had bought on the internet in 2001. Now we are seeing that well over half the population (62%) have now bought something over the internet - not just had a look, not just searched for information and then gone to the shop – actually bought online.

This is having a huge impact on retailers.

## **Economy**

While there are a plethora of measures of economic wellbeing – we believe the single most important is employment And of course the converse is true – unemployment and underemployment are the most important measures of economic ills. Roy Morgan will continue to measure and report true unemployment and underemployment accurately to enable those who care to understand how healthy the economy really is.

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It’s worth noting as the next chart shows that today compared to ten or twelve years ago there are proportionally fewer people working in New Zealand.

Now 63% of New Zealanders aged 14 plus (an estimated 2.2 million people) are working compared to 65% in 2001. The data shows clearly that employment in New Zealand was increasing in the first half of the decade, but turned down around 2006.

The decrease in employment levels has been greater among men than women.

In 2001, 70% of men were employed; ten years later it's 67% (down 3%).

In 2001, some 59% of women were employed; ten years later it's 58% (down only 1%).

Roy Morgan Unemployment estimate for New Zealand is 9.8%, an estimated 245,000 New Zealanders are unemployed and looking for work.

Analysis by age shows unemployment levels among young people are double the national average, at 21%.

The average personal income of New Zealanders has risen steadily since 2001. The average income of all workers is now \$47,800 compared with \$35,000 in 2001 (an increase of 36.6%) and the average full time income is currently \$59,200 compared to \$44,000 in 2001 (up 34.5%).

Although New Zealand and Australian workers shared similar incomes in 2001, the average personal income of Australian workers has since risen at a greater rate. The average income of Australian workers (\$58.7K) is up 52.3% from 2001, compared to an increase of 36.6% for New Zealand workers (\$47.8). The average income of Australian full time workers (\$71.7K) is around \$12,500 more than that of New Zealand full time workers (\$59.2K).

It has long been recognised that Consumer Confidence, or how people respond to events such as share market crashes, petrol price increases, interest rate increases and other economic threats, is more important than the events themselves. It is a key indicator of how people are likely to react to events in terms of their expenditure and its role in generating economic activity. Roy Morgan measures New Zealand Consumer Confidence on a monthly basis. The February 2012 ANZ-Roy Morgan Consumer Confidence Rating was 113.3 points.

Between the last quarter of 2007 and the middle of 2008, the confidence of New Zealanders declined dramatically and reached a record low of 82 points in July 2008. However with the hope of recovery in the New Zealand economy, consumer confidence was restored rapidly during the first 10 months in 2009 and it reached a two year high of 131.4 points in January 2010. However, likely due to the Christchurch earthquake occurring in February 2011, confidence fell to 101.4 in April 2011. It has since regained positively and sits at 113.3 as of February 2012.

Consumer confidence in Australia followed a very similar pattern to New Zealand but in the last 12 months it has generally remained higher, although it is currently only a small amount above the New Zealand figure, sitting at 114.9 (February 2012).



Key issue to remember with Consumer Confidence is that there are always confident people. There are more or less of them at different times. But it is the confident, optimistic people who will drive the economy.

Roy Morgan data shows clearly that confident people are more likely to buy property, build new homes, buy a car, and do almost anything you can imagine.

Since 2002, Roy Morgan Research has monitored detailed financials of New Zealanders. The data shows total household wealth of New Zealanders as of December 2011 to be \$1,109 billion (up from \$621 billion in 2004); and total household debt is \$159 billion (up from \$110 billion in 2004).

New Zealand households in December 2011 have just recovered in terms of their wealth compared to where they were just over three years ago.

In terms of debt, this has increased by around 10% over the same 3-year period.

The net result of these movements has left New Zealand households overall with a debt to asset ratio of 14.3% compared to 18% seven years ago.

As a nation New Zealanders are becoming more focussed on finance. Retirement planning, asset management, wealth creation and protection are becoming increasingly important to New Zealanders. More people are thinking about and worrying about the economy, their shares and what companies are doing. New Zealanders are much more financially aware and corporately aware than ever before. We are thinking more about what companies are doing as companies – their profitability, their wealth, we think of them as businesses, rather than just as suppliers of goods.

So what does it all mean?

These big trends are important because they help us orientate ourselves and provide context for the question at hand -

### **What does the slow but dramatic change in the age profile of New Zealand really mean?**

Only with the perspective of a long term view and detailed interviews with thousands of New Zealanders can we begin to understand all the fundamental shifts occurring in society and how this might interface with our changing population and with what result for our economic future.

Let's begin really simply with a Pen portrait of a 55+ New Zealander. She (or he) is

- More likely to own their own home (63% Vs 31% total pop) less likely to be paying off or renting

- More likely to be married (69% Vs 52%)
- Lower income (median income for an individual 55 plus is \$26K Vs \$28.5K or for a household \$54K Vs \$70K)
- Lower education (17% tertiary Vs 23.5%)
- Higher wealth (\$551K including own home VS 335K or \$198K excluding own home VS \$110K)

The consideration as to whether New Zealanders aged 55 plus have saved enough for their retirement is one of the major issues facing the New Zealand Government.

It is not the intention here to do an actuarial study on the topic but rather to give a broad understanding of how this group has progressed in terms of growth in wealth over the last 9 years.

Today New Zealanders aged 55 and over, represent some 25% of the population and 47% of the wealth of New Zealand.

In terms of gross wealth in 2002 those 55 + held 188 billion \$s (or 37% of New Zealanders' household wealth). Today it is 525 billion \$s (half a trillion \$s) or 47% of New Zealanders' household wealth.. This rate of growth is way beyond the growth in population – which you will recall went from 19.5% in 2001 to 24.7% in 2011.

Put another way – the overall growth in Household wealth over the period 2002 to 2010 was 120% but among the 55+ segment, wealth grew by 180%.

## **Debt**

A great deal of attention is given to the issue of household debt. And yes the 55+ segment has increased their levels of household debt, but they are still well below the average or “punching below their weight”.

With a great deal of attention being given in recent years to the issue of household debt, it is worth understanding how the 55+ age group has performed in this area.

In 2002 New Zealanders 55+ accounted for only 13% of household debt (\$11bn) and this has risen to 20% (\$32bn) in 2011.

The overall growth in debt for the 55+ group was 183% between 2002 and 2011 compared to 77% for the overall population over the same period.

At 20% share of household debt compared to population proportion of 24.7% and high gross wealth, it doesn't appear that this group is heavily geared but it does show that they have a greater propensity to borrow compared to the past.

So in terms of Net Wealth (ie assets minus debt) the 55+ segment now has 52% of New Zealand household net wealth (\$492 billion). This is up from 43% in 2002. A growth of over 180% in nine years – this is much higher than 130% the growth recorded among the total population.

Thus with 52% of the nation's household wealth held by 25% of the population this 55+ segment is doing well and getting ever stronger.

**This is not just a function of their increased asset value but is also contributed to strongly by increased participation in the work force.**

Just before looking at employment – it is worth looking at just where older New Zealanders investments are, what form this wealth is taking and where the growth is coming from – and to draw a parallel with Australia.

This group, the 55 plus segment, currently has nearly 70% of their wealth in their own home and this has increased from 56.1% of gross wealth in 2002 to 69.9% in 2011.

The biggest increase in gross wealth in the over 55s in the last nine years has been in their own home which has been at the expense of other investments which have declined from 43.9% down to 30.1%.

While the top line results give the impression that the over 55s are developing considerable savings for their retirement, the composition of their wealth is skewed heavily towards their own home.

This is very different to 55+ Australians – where only 51% of gross wealth is in the home – with some 17% in superannuation – a much more liquid investment.

The 55plus segment is making a major and growing contribution to economic growth through increased participation in the workforce. Now almost half (48%) of people aged 55 + are in the workforce (up from 35% in 2002).

This is against a backdrop of a decreased workforce participation. Indeed the 55+ segment now represents 23% of the workforce – up from 14 % in 2002.

The New Zealand workforce has increased by 303,000 people since 2008 and 78% of this growth has come from the 55+ age group while this has coincided with increased levels of unemployment for younger people.

While this has coincided with increased levels of unemployment for young New Zealanders, **without this increase in workforce participation from the 55+ segment New Zealand's economic growth would have been slower, we would have seen labour and skill shortages and wage inflation would have increased.**

Not surprisingly given the dramatic changes in women's role in society, much of the growth in workforce participation has come from women.

The data shows there was a 86% increase in the Over 55 work force between 2002 and 2011 but the increase for females was 94% compared to 78% for males.

So we have seen the 55+ segment:

- has made a substantial and increasing addition to their economic contribution, and
- they have increased income potential as well as substantial assets and asset growth – especially locked up in housing.

This rapid growth is a sign of

- the segment heading in the right direction to provide for their retirement
- BUT it also signals potential for spending in a number of areas such as travel, new cars and caravans, home renovations, financial planning and services like club membership, house cleaning and hairdressing, and theatre going (less likely to spend on mobile phones, personal grooming, technology and cinemas). However among those aged 55+ still working spending is relatively high in all categories.

So employment has this 'double whammy effect'. And the signs are they are not rushing to retire.

We have already seen that this age group has actually increased it's participation in the workforce over the last nine years and don't appear to show a strong disposition to retire early.

The data shows that 11.6% of the over 55 age group intend to retire in the next 12 months which is down from 15.2% in 2002.

All age groups within the over 55s have shown a decrease in their intention to retire since 2002. This higher intention to retire (21.5%) amongst the 65+ group has been more than countered by a 195% increase (86,000) in the number of them employed.

The lower levels of intention to retire amongst the 55-59 and 60-64 age groups is a strong indication that this group generally is planning to retire later than they were nine years ago and it is not until they reach 65 or older that they really plan to retire.

The rapid growth in wealth in this 55 + segment also signals the potential for leveraging or using their wealth for a range of other activities, eg property investments, business investments, assisting adult children with home purchases or new business start ups.

**With banks moving away from lending to wealth management is there a possibility that our 55+ population will become pseudo bankers for the next generation?**

Even if you think that is going too far (I don't) then I think the evidence is still in that our ageing population represents a real asset not a burden and there is more potential yet to be realised.

I also suggest that this asset can only be fully realised when the political and commercial will exists to listen to and engage with this potentially powerful sector.

Thank you.

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