

In Confidence

Office of the Minister for Seniors

Chair, Cabinet Social Wellbeing Committee

Older Workers Employment Action Plan – Release of Consultation Draft

Proposal

1. This paper seeks Cabinet agreement to consult on the attached draft Older Workers Employment Action Plan, which aims to improve employment outcomes for older workers.

Executive Summary

2. The Employment Strategy [CAB-19-MIN-0385] provides for the development of action plans to address labour market disadvantage faced by population groups. Development of an Older Workers Employment Action Plan (OWEAP) was assigned to me in March 2021 [SWC-21-MIN-0022].
3. Older workers (defined as those aged over 50) face lower rates of underutilisation as compared to other age groups. Rates are higher for older women, disabled people, Māori and Pacific peoples, but still lower than rates for younger workers from these groups.
4. However, the impacts of employment disruption on a relatively small cohort of older workers can be severe. Compared to other age groups, older workers who lose their jobs remain unemployed for longer and suffer a greater reduction in earnings when they return to work.
5. Poor labour market outcomes for older workers can have long-lasting impacts. Disruption to a critical period of retirement saving can impact income in later life and constrain choices around an eventual transition away from paid employment after 65. Disadvantaged cohorts of older workers are at particular risk as a result of the cumulative lifetime impacts of labour market disadvantage.
6. The overall ageing of the workforce also presents a substantial economic opportunity. More effective utilisation of older workers offers the opportunity to relieve some pressure on government services, both through direct economic contribution and by maintaining the health and wellbeing of older workers for longer. In addition, better utilising the skills of older workers could offer a partial response to emerging skills deficits.
7. Although the ageing of the workforce will take place across the economy, sectors such as teaching and healthcare will be impacted more than others, and small cities and regions will be affected more significantly than major cities.
8. The attached consultation draft OWEAP seeks to address these issues across the labour market, setting out a series objectives and possible actions to meet these.

9. Following consultation, a final OWEAP will be submitted for Cabinet consideration in early 2022. Following its publication, an implementation framework will track progress in implementing the OWEAP.

The Employment Strategy mandates development of action plans for disadvantaged labour market groups, including older workers

10. The 2019 Employment Strategy [CAB-19-MIN-0385] aims to improve employment outcomes through action aimed at:
 - building a skilled workforce
 - supporting thriving industries and sustainable provinces
 - modernising workplaces for a modern workforce
 - preparing for the changing nature of work, and
 - supporting an inclusive labour market.
11. As part of its implementation, the Employment Strategy provides for the development of seven action plans for groups disadvantaged in the labour market. In March 2021, the Minister for Social Development and Employment assigned responsibility to me for development of the Older Workers Employment Action Plan (OWEAP).

Some older workers face serious labour market disadvantage, impacting their employment and life-time earnings

12. Rates of underutilisation, benefit receipt and underemployment are lower for people over 50 than for people under 50. Rates are higher for older women, disabled people, Māori and Pacific peoples, but still lower than women, disabled people, Māori and Pacific peoples of other age groups.
13. The impacts of employment disruption on some older workers are more enduring than for workers of other ages. A study of New Zealand workers displaced following the 2009 financial crisis found that those aged 50+ reported 11-12% lower employment five years after displacement and 25-30%% lower incomes. Both impacts became insignificant for workers of other age groups over a five-year period.
14. Workers aged 50+ are over-represented among the long-term unemployed relative to their rates of unemployment and representation in the labour force. In the year to June 2020, people aged 50+ made up approximately 33% of the total labour force, and only 19.7% of Jobseeker recipients but 41.5% of those who had been receiving Jobseeker benefit for more than one year.

COVID-19 disrupted the employment of a cohort of older workers, who may be at risk

15. Jobseeker recipients aged 50+ numbered 58,529 in March 2021. This represents approximately 14,000 additional JS recipients as compared to February 2020 – immediately before the first lockdown.
16. Exit rates to employment among Jobseeker recipients aged 50+ lag those for workers of other ages. While exit rates have increased for all ages in recent months with the initial stages of economic recovery, the “gap” between exit rates for younger and older recipients remains, and this increase in exit rates has been smaller for older recipients.

17. An unpublished October 2020 survey of the impacts of COVID-19 on household incomes by the Commission for Financial Capability (CFFC) found that the percentage of those still on reduced incomes compared to February 2020 was highest (at 37%) among households where the main respondent was aged 55 to 64.

Some older workers are less likely to have choices around working post-65

18. New Zealand has comparatively high rates of labour force participation among those aged 65+, typically attributed to the universality of NZ Super. Almost half of those aged between 65 and 69 are employed or self-employed. For many this is a good thing – paid work can be a source of identity, social engagement and physical activity. However, not-yet-released Retirement Commission research suggests around one third of those working past the age of 65 are doing so out of financial necessity.
19. For some, the need to continue working out of financial necessity is a result of cumulative lifetime labour market disadvantage. Net worth figures show that the retirement savings of Māori and Pacific peoples are substantially lower than those of other ethnicities, and the retirement savings of women lag behind those of men. These groups are also less likely than the general population to report receiving income from interest, dividends, rent or other investments than the general population.
20. Notably, lower rates of employment for Māori men and women under 65, as compared to the general population, reverse after age 65. On Census day 2018, 32% of Māori men aged 65+ were employed (compared to 29% of all men aged 65+) and 24% of Māori women (compared to 18% of all women aged 65+).
21. Shorter life and health expectancy, combined with financial pressure extending their working life, means that some Māori and Pacific people experience a shorter and more constrained period of “retirement” compared to what many New Zealanders expect.

More effective utilisation of the ageing workforce is a substantial economic opportunity for New Zealand

22. Population ageing means relatively fewer younger people available to support the needs of society. In turn an older population points to increasing social needs such as aged care, income support and healthcare.
23. In December 2020 those in the labour force aged 50+ numbered approximately 970,400, or 33.4% of the total. By 2033, this is set to grow to around 1.1 million, a slightly higher proportion of the labour force at 33.6%.
24. In the same time period the proportion of the total population in this age bracket will have grown from 34% to 37%. The differences between these proportions is a result of the ageing of the population, with labour force participation reducing significantly with age.
25. The place of older workers in the labour force offers a partial solution to the challenge of labour market changes as a result of demographic ageing. Retention and more effective utilisation of the skills and knowledge of older workers can help to bridge skill gaps, and multi-generational workforces offer the possibility of enhanced transfer of these skills to workers of other ages.
26. Organisation for Economic Cooperation and Development evidence shows that older workers do not drag down overall firm productivity. Older workers generate spill-over effects

that improve the productivity of their younger co-workers and therefore the firm. These effects arise due to older workers' lower job turn-over, their greater management and general work experience.

27. Older people are highly represented among the self-employed and further entrepreneurship among older workers offers both a flexible working option for individuals and an opportunity to generate employment.
28. Older workers in paid employment create demand for goods and services via their spending. Continuing workforce participation also presents older people with an opportunity to maintain social connectedness and physical and mental activity. These effects can extend beyond the end of individuals' working lives.

The ageing workforce is more pressing for some regions and sectors

29. Some sectors and regions already have relatively older workforces as compared to others and could experience skills shortages earlier or more severely as a result.
30. The proportion of workers aged 50+ is currently highest in the education and training sector, health care and social assistance sector, and transport, postal and warehousing sector. Each of these sectors is subject to current or projected labour shortages. Enabling longer working lives for current workers could help to partially address these.
31. In general, younger people will be more likely to congregate in our largest cities, and older people in smaller cities and towns. In the year to December 2018, the region with the oldest workforce was Marlborough with 46% of workers over 50. Northland, Tasman, and Nelson followed, with 43%, 42% and 41% of all workers over 50 respectively.

The older workforce will become increasingly diverse

32. Although the trend is more marked in younger age brackets, older Māori, Asian and Pacific peoples will make up a growing proportion of the labour force. In addition to the general ageing of the workforce, the labour market will need to respond to the needs of these sub-populations of older workers.

Effective adaptation to an ageing workforce is uneven across New Zealand businesses

33. Despite impressive examples to the contrary, businesses do not appear to be proactively and comprehensively addressing their ageing workforce issues.
34. A 2018 survey of New Zealand businesses found that over 80% of respondents did not have any specific strategies or policies relating to workers aged 50+. Most respondents (76%) did not carry out any active retirement planning activities with employees.

The Older Workers Employment Action Plan aims to address the labour market challenge of an ageing population

35. Officials have identified the following overarching outcome for the OWEAP:

Ensure that all older workers, both those aged 50 – 64 and those aged 65+, are able to access good work so that:

- they are valued and thrive in the workplace, and can transition away from paid employment when they are ready; and
- they can contribute to the economy in a way that suits them.

36. This is supported by three more specific objectives:
- Employment-related services are effective, accessible, and meet the needs of older workers
 - The labour market supports the needs of older workers
 - Sectors and regions are maximising the opportunities of their ageing workforce.
37. A fourth over-arching objective aims to capture the intersection between labour market disadvantage faced by older workers, and that of other groups:
- The needs of older workers that experience multiple disadvantages in the labour market are addressed in all aspects of the Government's response to labour market disadvantage.
38. This objective aims to capture the overlap with population employment action plans that is presented by the increasingly diverse makeup of the older population, while recognising that disadvantage based on ethnicity, gender or disability status may be more salient than age. It also recognises that the impacts of labour market disadvantage accumulate over the course of a working life and are reflected among older workers in outcomes such as lower levels or earnings and less accrued retirement savings.
39. Implementation of this fourth objective sits across the other three, and also intersects with population employment actions plans for other disadvantaged groups – disabled people, former refugees, recent migrants and ethnic communities, Māori, Pacific peoples and women.
40. The consultation draft sets out a range of possible responses under each of these objectives. These involve a mix of Government and sector responses, and many touch on aspects of existing work underway in employment, welfare, education and careers policy.

Finalisation and implementation

41. Following the consultation period, I will present a final OWEAP for Cabinet consideration in February 2022. With Cabinet's approval, it will be ready for public release shortly thereafter.
42. In line with other employment action plans, the OWEAP will be implemented on an ongoing basis, and remain open to adaptation and development.

An implementation and monitoring framework will follow the finalised Older Workers Employment Action Plan

43. In line with Cabinet's mandate, I will prepare a monitoring and implementation framework for the OWEAP by mid-2022 [SWC-21-MIN-0022]. This will include regular reporting and the development of a set of indicators to track progress in achieving labour market outcomes for older workers.
44. To the extent possible, reporting and indicators for the OWEAP will align with other processes. In line with other population action plans, I propose that primary responsibility for monitoring implementation sit with the Employment, Education and Training Ministers' Group. In addition, I propose that this reporting also form the basis of reporting to the Better Later Life Ministerial Steering Group [established by CAB-19-MIN-0487], which is responsible for implementing the Better Later Life Strategy. Work to implement the Better

Later Life Strategy currently prioritises employment for older workers within its first implementation Action Plan [CAB-21-MIN-TBC].

Consultation

45. Consultation has been undertaken with the Ministries of Social Development, Business, Innovation and Employment and Education; the Ministries for Women, Pacific Peoples, Ethnic Communities, the Department of Prime Minister and Cabinet, Te Puni Kōkiri, the Treasury, the Tertiary Education Commission and the Office for Disability Issues.
46. As with other population employment action plans, the OWEAP is intended to coordinate and encourage action across a range of labour market actors, including local and central Government, unions, employers and older workers themselves. Officials have engaged with these groups informally in developing the analysis and objectives described above.
47. A period of broader consultation will test the identified objectives of the draft OWEAP, as well as promoting engagement from a wider set of stakeholders.
48. Officials will prioritise targeted consultation towards three stakeholder groups representing:
 - the general interests of older people
 - the interests of employees in general
 - the interests of businesses that employ older workers.
49. Targeted public consultation will enable the Government to learn from expertise in the community. It will raise awareness and promote the need for a concerted response from Government and private sector labour market actors.
50. I intend to release the attached consultation draft OWEAP in early September 2021 to form the basis of this consultation process.

Financial Implications

51. The consultation draft itself has no immediate financial implications as it does not commit to any particular action. I expect the actions included in the final OWEAP to be initially funded within baselines, but in time these may give rise to resourcing needs that will be progressed through regular departmental prioritisation or Budget 2022 or subsequent Budget processes.
52. Inclusion of unfunded new activities in a consultation draft could by its nature create expectations that they will be funded. The consultation draft mitigates this by describing all the potential actions it includes in indefinite language, for example by prefacing action descriptions with “we could...”. In addition, the consultation draft includes a paragraph that directly addresses the issue of funding and explains that some of the actions discussed would need to be progressed through Government Budget processes if they were to be implemented.
53. Of particular note, the consultation draft raises the role of active labour market policies (including Ministry of Social Development (MSD) employment services) for workers over the age of 65. For the most part this age group is currently not eligible to receive these employment services. Any expansion of eligibility of such services would carry significant budgetary implications.

54. The consultation draft also raises the possibility of MSD employment services aimed at workers aged 50 – 64, who are for the most part eligible for existing services. Any new programme aimed at these workers would require resource commitment, whether through a new budget bid or reprioritisation of current MSD spending.

Legislative Implications

55. There are no legislative implications arising from this paper.

Impact Analysis

56. A regulatory impact assessment is not required.

Population Implications

Commitment to Māori

57. We recognise the importance of paying particular attention to the interests of Māori and being guided by the principles of Te Tiriti o Waitangi as the founding document of our country. We have considered the needs of kaumātua in the labour market and will ensure the action plan links appropriately to the Māori Employment Action Plan that is also currently under development.

Older Pacific Peoples

58. In developing the OWEAP we have considered the needs of older Pacific workers, although sample size issues mean that some employment data for this group is of limited use. Compounding lifetime labour market disadvantage nonetheless affects older Pacific workers. The consultation draft OWEAP links explicitly with the Pacific Employment Action Plan, currently under development by the Ministry for Pacific Peoples.

Gender Implications

59. People can have different experiences of ageing based on their gender, including in employment. In developing the OWEAP, Officials have been cognisant of matters such as the compounding impacts of the gender wage gap and the concentration of older women in precarious employment. The consultation draft OWEAP highlights links with the Women's Employment Action Plan, currently under development by the Ministry for Women.

Disability Perspective

60. As age increases so does the likelihood of living with a long-term health condition or disability requiring ongoing support. Officials have considered the needs of disabled older workers in developing the consultation draft OWEAP and have noted the links to aspects of Working Matters – the employment action plan for disabled people [CAB-20-MIN-0323].

Human Rights

61. The proposals in this paper are consistent with the *New Zealand Bill of Rights Act 1990* and the *Human Rights Act 1993*.

Publicity

62. The consultation draft OWEAP will be made publicly available on the Office for Seniors website. Proactive engagement on the consultation draft will be focused on interested stakeholder groups, as interest is likely to be limited among the general public.
63. Publication of the final OWEAP will be accompanied by more extensive publicity.

Proactive Release

64. I intend to proactively release this paper following the release of the consultation draft OWEAP. At this stage, the planned date for release of the consultation draft falls within the 30-day period for proactive release. If the release of the consultation draft is delayed, it would also be necessary to delay the release of the Cabinet paper.

Recommendations

The Minister for Seniors recommends that the Committee:

1. **note** that the Employment Strategy [CAB-19-MIN-19-0385] provides for population employment action plans for disadvantaged groups in the labour market, including older workers
2. **note** that while older workers are less likely than other age groups to be underutilised, the impact of disadvantage on some older workers can be severe and long-lasting
3. **note** that the ageing of the population and workforce presents an opportunity to realise substantial economic benefits by better utilising and valuing older workers, particularly in sectors and regions with relatively older labour forces
4. **note** that the attached consultation draft Older Workers Employment Action Plan:
 - 4.1. sets out a framework for addressing labour market disadvantage for older workers – both as an issue impacting the wellbeing of specific older workers, and as a challenge for the labour market as a whole
 - 4.2. provides possible areas to explore actions to better respond to older workers' needs in the labour market
5. **note** that further funding may be sought through future Budget processes for actions included in the consultation draft Older Workers Employment Action Plan, particularly where these involve changes to Ministry of Social Development employment services or expansion of eligibility to existing such services
6. **note** that expectations of interventions targeting older workers could be raised as a result of the release of the consultation draft Older Workers Employment Action Plan
7. **agree** to the release of the attached consultation draft Older Workers Employment Action Plan for targeted public consultation in September 2021
8. **authorise** the Minister for Seniors to make minor editorial, design and formatting changes to the consultation draft Older Workers Employment Action Plan as required prior to its release
9. **note** that the Minister for Seniors will report back to SWC in February 2022 with the results of the consultation and a final Older Workers Employment Action Plan
10. **note** that following the release of the final Older Workers Employment Action Plan, the Minister for Seniors will develop a framework for monitoring progress in its implementation, including indicators to assess labour market outcomes for older workers
11. **note** that the Older Workers Employment Action Plan in subsequent years will evolve under the guidance of the Employment, Education and training Ministers Group, and in response to progress monitoring of the data indicators
12. **note** that progress on the Older Workers Employment Action Plan will also inform reports to the Better Later Life Ministerial Steering Group, in line with its current focus on employment within the first Action Plan to implement the Better Later Life Strategy [CAB-21-MIN-TBC]

- 13. note** that Ministers will be responsible for specific action areas identified in the Older Workers Employment Action Plan, that fall within their portfolio responsibilities, per normal Cabinet conventions.

Authorised for lodgement

Hon Dr Ayesha Verrall

Minister for Seniors