

IMPLICATIONS OF POPULATION AGEING: OPPORTUNITIES AND RISKS

Edited by JONATHAN BOSTON and JUDITH A. DAVEY
INSTITUTE OF POLICY STUDIES, VICTORIA UNIVERSITY OF WELLINGTON

William Murdoch¹

The demographic profile of New Zealand's population for the forthcoming decades is already established; the population is growing older and can only be altered by a major change in the mortality rate. An often-projected view is that population ageing will have negative consequences for society – for example, fiscal consequences through increased New Zealand Superannuation and health costs and social consequences through the burden of additional familial care responsibilities. How much fact underlies this rhetoric? As Jonathan Boston and Judith Davey point out in their conclusion to *Implications of Population Ageing: Opportunities and Risks*, we do not know how changes in the age structure of the population will affect social attitudes, values, norms and behaviours. There is much uncertainty over key social and economic variables. Knowledge is developing through ongoing research into the impact of population ageing and a government initiative like the New Zealand Positive Ageing Strategy is an encouraging development.

Boston and Davey's collection is a timely publication, which draws attention to many of population ageing issues. Andrew Ladley in his foreword states that this book is an attempt to tackle current issues associated with population ageing and to look ahead into longer-term considerations. He points out that retirement in the 21st century may have quite a different meaning, if it survives at all as a distinct life event. To consider these issues, Boston and Davey have compiled contributions that take a New Zealand perspective to exploring the implications of population ageing, especially those that impinge on policy development and evaluation.

The book is well structured and coherent, with Chapters 2–6 providing the reader with an introduction to key factors associated with population ageing. Building on the analysis in the first half of the book, Chapters 7–11 discuss how population ageing affects specific aspects of society and the economy.

In Chapter 2 Kim Dunstan and Nicholas Thomson, using the latest projections from Statistics New Zealand, present a demographic summary of New Zealand's ageing population, which provides the reader with the ideal background for relating to the

¹ William Murdoch is a student in the MA (Applied) Social Science Research programme at Victoria University of Wellington.

subsequent contributions. The information serves as a good basis for other contributors to elaborate on the social and economic policy implications arising from the demographic patterns described.

Paul Callister in Chapter 3 uses census and other data to undertake cohort analysis to understand how economic and social circumstances change over time. Key variables of employment, education, income, housing, marriage and living arrangements are explored, providing a profile of New Zealanders across cohorts as they enter into older age. Callister identifies the implications of differing individual circumstances and how they change over time. He touches briefly on the implications of these in his conclusion, although the analysis is weighted towards the provision of data, leaving the reader with a desire to understand more about the implications and risks that key factors of an individual's cohort history can have on lifestyle and wellbeing in old age.

The government's current and future fiscal stance is the focus of much debate, fuelled by politicians and media. Peter Wilson and Paul Rodway in Chapter 4 provide a very readable and concise discussion on ageing and the government's long-term fiscal position. The linkage between demographic change, government fiscal position and policies is clearly explained, with consideration given to the key expenditure components of health, education, superannuation and welfare. The discussion on health expenditure illustrates how assumptions about the impact of ageing can affect fiscal position and argues for more research to better understand the implications of ageing for the health budget. The authors deliver what the book title promises, a discussion of the implications, risk and opportunities of ageing.

The first part of Sue Paul, Geoff Rashbrooke and David Rea's chapter on retirement income provides a good summary of the structure of retirement income in New Zealand and compares us with other OECD countries. The information highlights the functionality of New Zealand's universal superannuation system in minimising poverty in the over-65 age group and our limited private provisioning. The second part of the article discusses the Ministry of Social Development Super Model. This provides an interesting insight into the conceptual work being undertaken at the government ministry level to deliver analytical tools for long-term policy development. The authors identify the uncertainty in modeling forecasts caused by variable assumptions. The practical application of the model is demonstrated by applying it to investigate the labour force participation rates and how these could affect New Zealand Superannuation costs.

In Chapter 6 John Stephenson discusses how New Zealand does not save enough to meet its investments needs and concludes that there is no strong evidence justifying policy to seek increased savings due to population ageing. There are, however, peculiarities about New Zealand that increase our vulnerability to the supply of

capital: our propensity for savings in the form of housing wealth and the risk associated with overseas-sourced capital. Like many commentators in New Zealand, Stephenson believes that there is sufficient liquidity in New Zealand capital markets to protect from any internal or external shocks in the long term. I would have liked Stephenson to expand his discussion to cover the role of government in maintaining the confidence of the international ratings agencies and overseas investors. Investors in New Zealand have become accustomed to relatively high interest rates, which are at an international premium. There has been little analysis on a prolonged low-interest-rate scenario and the impact this would have on yields on capital for an older population reliant on investment income.

Davey in Chapter 7 gives a very interesting overview of issues pertaining to labour force participation of older people and strategies for increasing the participation of under-represented groups. In her discussion of issues for individuals and for business, Davey personalises the subject and draws out the reality of the situation, addressing and dispelling some of the myths associated with the employment of older workers. The chapter concludes with suggestions for how employers could maximise older workers' potential and for possible policy responses. This article is recommended reading for human resource practitioners and employers.

Mark Cox and Simon Hope present the findings of a 2004 research project undertaken for the Ministry of Health and a discussion document on health and disability labour force responses to an ageing population. They look at scenarios for future demand for health and disability services. The discussion on the implications of changing demand reveals the gap between supply and demand of labour and highlights the need for proactive policy responses to health and disability needs in the future. Similar to the earlier chapter on retirement incomes, Cox and Hope's analysis identifies the necessity for long-term policy planning in key service areas such as health, and how the Ministry of Health is tackling the problem. Future labour supply is a high risk for the health sector, and the implications and available options are clearly articulated.

Chapters 9–11 are interrelated, covering housing (a key element in the wellbeing of older people), ageing in place and population ageing and families, and collectively present a comprehensive discussion. Davey discusses the role of housing and issues associated with home ownership and renting. Davey raises issues that are somewhat neglected by government and society, particularly with respect to technology-smart and healthy housing. As Davey points out, ageing in place is a preferred alternative for many older people and she discusses a range of measures to support this type of living arrangement. Verna Schofield, Davey, Sally Keeley and Matthew Parsons provide an excellent overview of ageing in place, which complements the previous chapter on housing and explains why this strategy is becoming increasingly popular

worldwide. Their discussion of policy implications, both current and future directions, allow a degree of optimism that government is responding to society needs. Murray Petrie reviews the literature on population ageing and families, noting numerous aspects of how ageing will impact on families, identifying areas – such as the effect of intergenerational transfers and intergeneration care contracts within families – where research (particularly in New Zealand) is limited.

It was pleasing to see that a chapter had been included on the increasingly important subject of volunteering. Máire Dwyer comprehensively discusses the impact of population ageing on volunteering and communities. Through reference to overseas data and New Zealand research Dwyer provides a clear picture of the current status of volunteering (formal and informal) and likely trends in the future, stressing the importance of supportive government and local government policy.

In the penultimate chapter Boston and Davey briefly look at the politics of ageing and the potentially significant implications of the over-65 voting public. The voting patterns of this cohort are unknown but, as Boston and Davey point out, they will be a carrot for the main and minor political parties.

The collective contributions of this book will add value to the discussion on the implications of population ageing. The significance is in the analysis of a broad base of topics affected by the changing demographic structure of the population. By collating a range of outputs the impact of population ageing can be assessed with an appreciation of the need for wide-ranging government and local government policy response. This is not a book which delivers a deep analysis in specialised areas of research; rather it will serve to assist students of social and public policy who will find the book helpful as an introduction to interconnected public and private policy issues associated with an ageing population. Persons associated with organisations involved with diverse social and economic issues will find this book useful as a single reference source to gain a good insight into the opportunities and risks presented by the inevitable ageing of New Zealand's population.