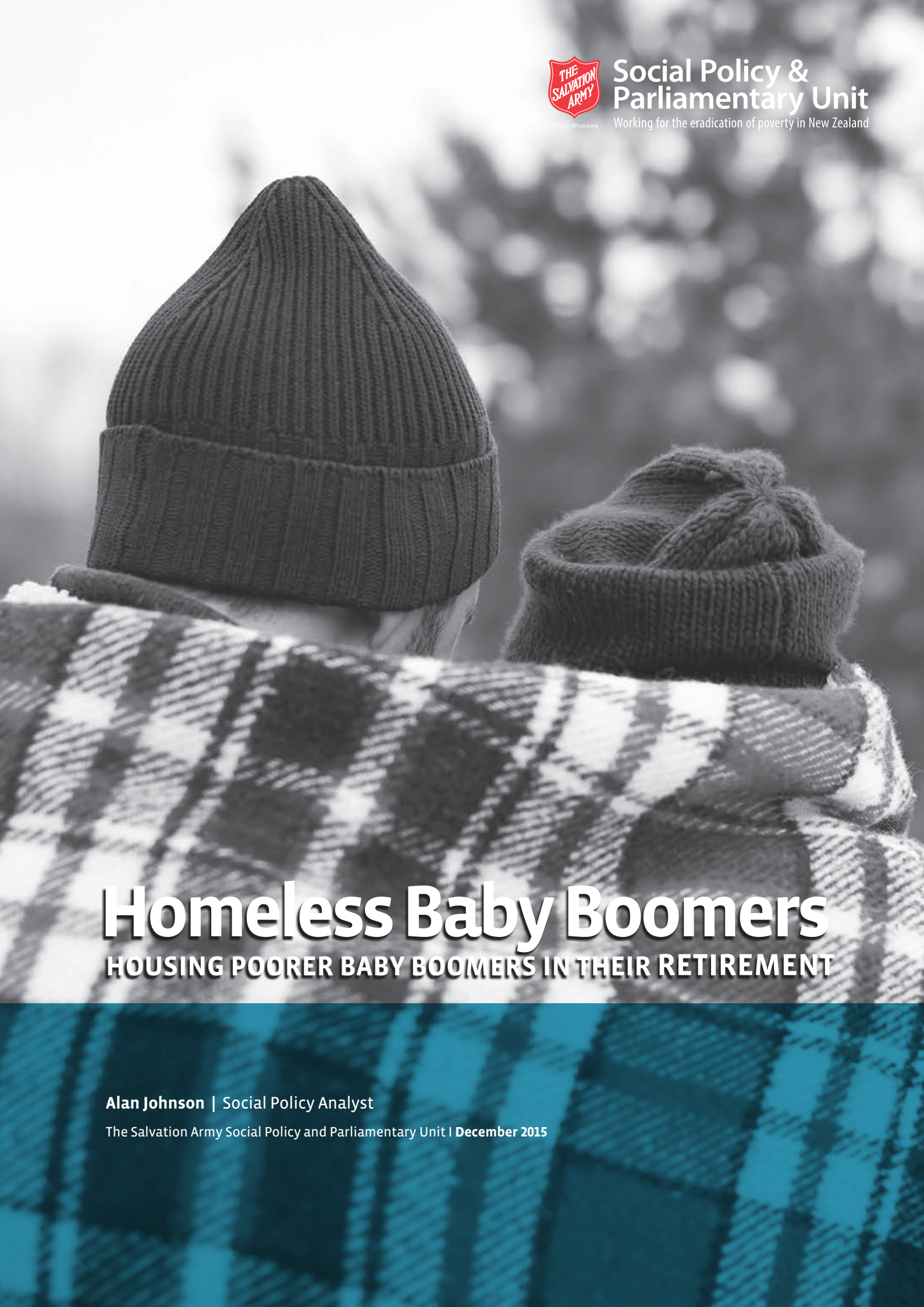

Social Policy & Parliamentary Unit
Working for the eradication of poverty in New Zealand

Homeless Baby Boomers

HOUSING POORER BABY BOOMERS IN THEIR RETIREMENT

Alan Johnson | Social Policy Analyst

The Salvation Army Social Policy and Parliamentary Unit I **December 2015**

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CONTENTS

Executive Summary 7

Chapter 1: Introduction 11

Chapter 2: How we got here 13

Chapter 3: Housing tenure and our aging population 19

Chapter 4: Future housing demand from our aging population 29

Chapter 5: The geography of aging 43

Chapter 6: Responding to the housing needs of an aging population 51

Appendices 61

References 66

Endnotes 68

EXCUTIVE SUMMARY

This report considers the housing futures of the around 200,000 people who in 2030 will be aged over 65 years old and not own their home. A large proportion of these people will be baby boomers - the generation born immediately following World War II between 1946 and 1965. In general the baby boomers have done well out of New Zealand - its economy and social infrastructure. They grew up in a time of growing prosperity and rising levels of home ownership. As they left secondary school from around 1963 at least through until 1973, they enjoyed cheap university education and easy access to jobs. With the support of the State they often gained access to affordable home ownership.

During this period home ownership rates rose on account of these State programmes. In 1951 as these programmes were starting up the home ownership rate was around 61% and this rose to 70% by 1976, and on to 74% by 1991. However, in 1991 New Zealand's social policy – including its housing policy took a radical turn. This occurred in the so-called 'mother of all budgets' which was administered by the first baby boomer finance minister Ruth Richardson. This budget not only reduced the value of welfare benefits as an incentive to get the unemployed to work, but scrapped home ownership programmes and sold off the State's $2.4 billion mortgage portfolio representing the second largest privatisation of that era.

Predictably home ownership rates have fallen ever since and now stand at around 64% - the lowest level in almost 60 years. Nearly two thirds of the almost 430,000 new households formed between 1991 and 2015 are tenant households and there is clear evidence of a structural shift in both housing tenure and the ownership of wealth. The baby boomers' children and grandchildren face the real prospect of remaining tenants for their whole adult lives – at least under present policy settings.

While the baby boomers have in the majority benefited from these changes, many who did not make it into the ranks of home ownership before 1991 were not so fortunate. This is especially the case for younger baby boomers who were born between 1960 and 1965 and who now have significantly lower rates of home ownership. Perhaps only 62% of those born in 1965 can expect to be home owners by the nominal retirement age of 65 compared with 77% of the oldest baby boomers who reached 65 in 2011.

It is the case that home ownership rates for any given age cohort peak around retirement age. Although for some who may suffer ill health, relationship breakdown or redundancy in late middle age, this loss of home ownership can occur earlier. On any account ownership rates fall slowly beyond 70 until around 85 when they fall sharply on account of people becoming frail and unable to live independently.

These trends of falling rates of home ownership prior to retirement for younger age cohorts, and the requirement for aged residential care in later old age create two sorts of housing demand. The first is the demand for rental housing amongst as many as 30% to 35% of retired baby boomers and the second is increasing demand for aged residential care as baby boomers reach 85 – an event which will occur from 2031 onwards. These two demands will place some stress on the financial resources of the State and significantly more stress on the housing stock.

It seems likely that more and more elderly people living on New Zealand Superannuation (NZS) will require some form of income top-up in order to pay their rent. Already over 5% of those receiving NZS also receive the Accommodation Supplement and this number has grown by more than one third or over 9000 people in the past five years. The numbers of people receiving both payments could rise from around

35,000 in 2015 to as many as 100,000 by 2025. This expense will likely remain affordable for the State but the more relevant question here is around that of adequacy.

The Accommodation Supplement has suffered from quiet neglect at the hands of successive governments since 2007. The present policy regime applies one of four maximum payments depending on which region a person lives in. These maximums have not been adjusted since 2007 and were on any account based on 2005 rents. In other words, the policy settings are ten years out of date and there appears little appetite to change things given the money Government saves by ignoring the problem. The problem here is that low income households, and especially tenants in Auckland and Christchurch, are being squeezed between rising rents and static income support which was meant to assist them with high housing costs. This is the case for the young and old alike. As the basis for providing adequate income support to a growing number of elderly tenants such an approach is tenuous at best and risky at worst.

The problem of adequacy of such payments as the Accommodation Supplement can be viewed at an individual level around where a person lives and the sort of housing they consume. However, a much broader policy question arises around the sheer volume of people likely to be affected both by inadequate levels of income support and the poor housing options they face as a result.

New Zealand's baby boom was exceptional amongst the four countries which experienced it and this means that the demographic dominance of baby boomers as they reach retirement will be larger. The country's over 65 year old population will grow significantly over the next 15 years through to 2030 when the youngest baby boomers reach 65. This growth is expected to be over 400,000 people, up from around 680,000 people in 2015 to 1.1 million by 2030 and from just under 13% of the population in 2015 to just over 22% in 2030. These numbers, along with the increasing proportions without home ownership, pose serious demand problems in lower cost housing markets especially if income support programmes remain somewhat disconnected from both market trends and peoples' everyday realities.

The second area of housing demand amongst older people is that for aged residential care in institutions such as rest homes, geriatric hospitals and dementia care units. The real baby boomer tail is not expected to hit these institutions until 2031 and perhaps 2035 if improvements in life expectancy and aged care continue. However, demand is still expected to sharply increase around 2025. Between then and 2030 the numbers of people requiring some form of residential care will grow by more than 20% or by over 2000 people per year perhaps to 57,000 to 58,000 beds by 2030. Catering for this demand growth will require an additional 100 bed facility every two and half weeks for these five years.

There are a number of 'off the cuff' responses available to dismiss these forecasts and concerns. By using these responses it is possible to instil a sense of complacency especially amongst baby boomer policy makers and policy advisors who are well paid and well housed. On closer analysis these 'off the cuff' responses often prove to be fragile or even illusory. Such responses include the idea of simply working longer in order to pay for housing, to downsize or shift to regions with cheaper housing, or to continue with the current income support regime which has proven adequate to date.

While many of those reaching 65 continue to work beyond the nominal retirement age, the majority of people do not and it seems unlikely that they will even in the face of Treasury forecasts of rising labour force participation amongst older people. Many peoples' employment becomes precarious or disappears

altogether in late middle age and while there is no data available to support this, it would seem likely that majority of these people are tenants. As well there are clear social gradients around morbidity and disease burden which mean that poorer people and those engaged in manual work reach retirement age in poorer shape than those on good or great incomes in managerial and professional jobs. Moreover, even if tenants are able to work longer in order to pay their rent, sooner or a later they will need to give up work and so have only postponed the inevitable day when their income will not be sufficient to pay the rent.

The idea of downsizing is offered as a convenient solution for asset rich but income poor retirees and this idea is already the subject of publicly funded studies. While downsizing for tenants will reduce rents to more affordable levels, it is clearly not same sinecure as it is for owner-occupiers. On any account the prospect of downsizing requires another buyer to want to or be able to up-size. Given the sheer numbers of people likely to be looking to do this around the same time, the potential for realising cash from your assets may not be as great as anticipated.

Connected with the idea of downsizing is that of a shift to a cheaper housing market. This is an option for both tenants and owner-occupiers. The extent to which this is feasible given the relative size of housing markets and the numbers of people with some incentive to shift needs to be questioned. For example, there are likely to be almost 100,000 soon to retire baby boomer tenants living in Auckland. The surrounding regions of Northland, Waikato and Bay of Plenty have traditionally been the areas which older Aucklanders migrate to. There are just over 150,000 rental properties in these three regions and most are already happily occupied by tenants. There are emerging signs of older people shifting out of Auckland in search of sunnier climates and cheaper housing but given the size of Auckland relative to surrounding populations and housing markets it will not take much for such a trend to swamp these populations and markets.

Australian housing researchers are reporting increasing incidents of what they term first time homelessness amongst people in their later middle age or early retirement years. These are people who have held down jobs and led fairly conventional lives until an event such as relationship breakdown, redundancy, injury or a health setback means that they lose their housing and perhaps income. They become street homeless and destitute.

There is little to stop such a trend from emerging in New Zealand. In the present environment of rising rents, increasing numbers of people retiring without home ownership and a patchy and neglected income support regime, there is a real risk that we will begin to see rising rates of absolute poverty amongst our elderly population. These will be the baby boomers who missed the Kiwi Dream of secure home ownership.

In response to these challenges The Salvation Army offer the following policy recommendations for Government and all New Zealanders to consider:

1. That the Accommodation Supplement be reviewed as a matter of urgency with a view to addressing historic shortcomings in the level of assistance provided and to better meet the income and housing needs of low and modest income older people;

2. That Government extend income related rent subsidies to local authorities as a first step to local government taking a leadership role in the provision of rental housing for older people;
3. That Government engage local government in an initial debate to consider local housing markets and the need to cater for a migrating population of older people to regional cities and towns;
4. That a residential care strategy be prepared and backed with sufficient budgets to ensure adequate provision of aged care facilities over the next ten years;
5. That a programme of interventions be developed to limit the risk of those in late middle age and early old age becoming homeless for the first time due to financial hardship, relationship breakdown and health problems.

CHAPTER 1: **INTRODUCTION**

Twenty five years ago, in 1990, the vast majority of New Zealanders could expect to own their home by the time they retired. At this time all New Zealanders – citizens and permanent residents, could expect to receive a modest income from the state upon reaching the retirement age which was then set at 60 years old. The value of this retirement income, its name and how it was taxed had all changed over the preceding 13 years since the replacement of the Old Age Pension in 1977. For its value various benchmarks were set against average wages starting off at 70% of the average ordinary time weekly wage for a married couple, with the intention of raising this to 80% in 1978. A single superannuant received 60% of the married rate at this time[1].

While the basis for setting the level of retirement income appears to have been lost in history, two things are apparent from the settings at the time. The first is that a retirement income should somehow be linked to movements in wages so that retirees also benefited from economic growth, and rising personal incomes, which this often brings. The second is that the settings must have assumed that most retired people owned their homes so had the benefits of debt-free home ownership as part of their incomes.

A multi-party accord in 1993 set the benchmark for the payment which then, and since, has been called New Zealand Superannuation. This benchmark for married couples was between 65% and 72.5% of the average wage, where it remains today. This benchmark remains regardless of what has happened to living costs, the incomes of other households or the distribution of wealth. In particular, these benchmarks have remained regardless of what has happened to home ownership rates and housing costs.

In response to this inertia more and more retirees now need additional assistance from the State to meet their housing costs. It seems likely that over the next 10 to 15 years the total number of people aged 65+ requiring such assistance will continue to grow. In part this growth is due to housing costs outstripping income increases in some regions, but it is mainly due to more and more people retiring without the comfort of home ownership. While home ownership itself imposes costs on owners – such as rates, insurance and maintenance, these costs most often are much lower than the rent on the equivalent dwelling.

This report considers the challenges New Zealand faces with an increasing number of people reaching retirement age as tenants. These challenges not only include those around adequacy of income but also those around availability and access to suitable housing. In addition there is an overlaying challenge of the sheer number of people reaching retirement age over the next decade.

Chapter 2 considers the context and history behind the present challenges. The following chapter then studies existing tenures of those aged over 65 years old and of baby boomers – those born between 1946 and 1965 and so reaching retirement age between 2011 and 2030. Chapter 4 offers forecasts of future tenure patterns and housing demand of this baby boomer generation. Chapter 5 considers the geography of aging and the impact which migration patterns are having, and may have, on the age structure of regional populations. The final chapter tests the feasibility of various responses to the problems many older people will face over the next 15 years in finding affordable housing. This last chapter ends with some initial policy recommendations.

CHAPTER 2: **HOW WE GOT HERE**

New Zealand faces a significant challenge in finding adequate and affordable housing for hundreds of thousands of poorer baby boomers who are about to retire without the comfort and security of home ownership. This challenge is to some extent quite predictable and is the consequence of short-sighted political decisions around retirement incomes and housing subsidies made one or two generations ago. As a nation we have more or less dug ourselves into a fiscal and social hole and continued to dig while failing to consider how we might climb out of it.

This chapter attempts to set the scene as backdrop to these challenges. The scene is set by re-tracing three generations of New Zealand's housing history and then placing the baby boomers into this history. This scene setting suggests that we have seen a structural shift not only in how New Zealanders hold housing but in the distribution of wealth within our society. This shift will begin to have consequences over the next 10 to 15 years meaning the prospect of truly destitute older people looms larger.

THE RISE OF A PROPERTY OWNING DEMOCRACY

The 1949 General Election was a watershed one for determining much of the future social structure of New Zealand. This election was between the incumbent Labour Party led by Peter Fraser and an emergent National Party led by Sydney Holland. At the time the oldest baby boomers were just three years old.

One of the key battlegrounds of this election was housing. The battle itself was a significant ideological one between Labour's socialists who mainly espoused a vision for New Zealand based on publicly developed and owned state housing and National's capitalists who advocated the building of a property owning democracy. National's vision appeared more inspiring to New Zealanders - it won that election with a landslide and National has gone on to win 16 of the subsequent 22 elections.

While Sydney Holland is unlikely to be remembered as a visionary, there was something compelling as well as lucky in the vision for New Zealand society which he and his colleagues offered. It was compelling in part because it appealed to self-interest and New Zealand Pakehas' self-image of being individualist and independent. As well, it was compelling because it offered people both a stake and some security, which after the privations of the Great Depression and World War II must have been important. Holland's vision was lucky because it coincided with a time of rising affluence and technological progress which made large scale suburban development feasible and affordable. In particular the availability of cars to a growing middle class, not only increased personal mobility, but allowed cities to sprawl along newly created motorways.

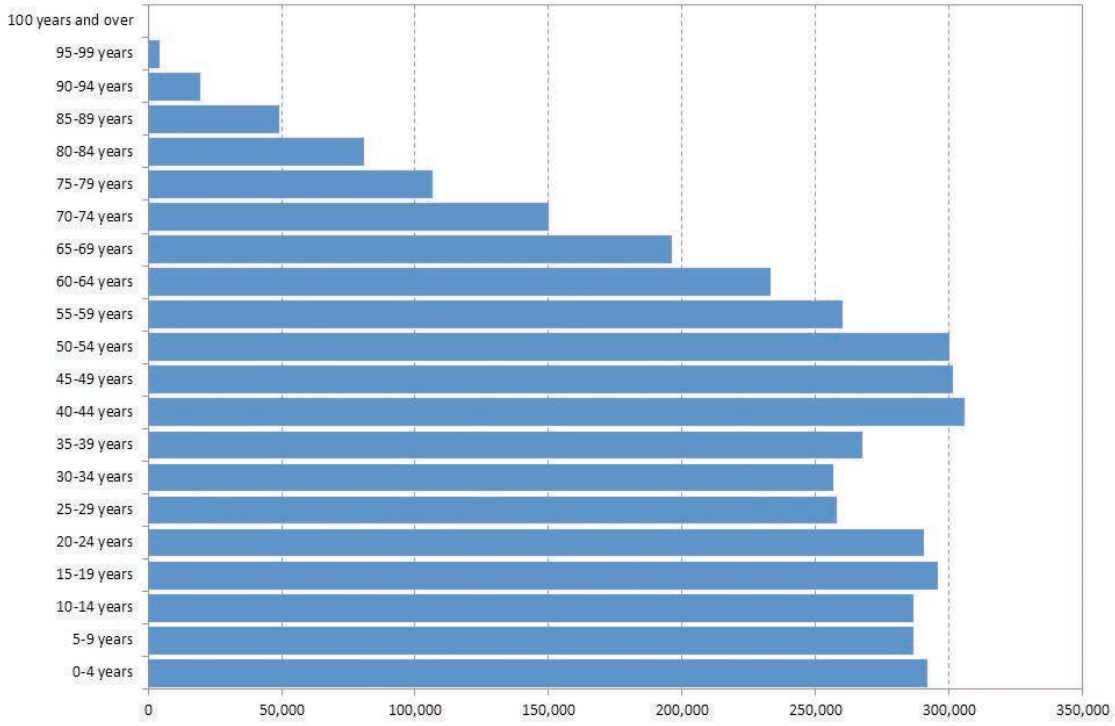
Holland's success in realising his vision was due to three policies. The most memorable was the rehab loans to war veterans through a public agency, the State Advances Corporation. These 3% loans along with the opportunity to capitalise on the Family Benefit allowed tens of thousands of young married couples to move into home ownership – often for the first time in their family history. Beside this state lending programme Holland's government embarked on road building at a scale unprecedented in New Zealand's history. This road building was largely planned and programmed by the National Roads Board, which today is the New Zealand Transport Agency. These works were financed by a dedicated tax on fuel which still exists today, and this financial year will provide Government with around $2 billion in revenue[2].

The 25-year period from 1950 until 1975 was an era of rising material affluence and social mobility as well as a time of increasing rates of home ownership alongside the urbanisation of New Zealand society. Between 1951 and 1976 the home ownership rate rose from 61% to 70% while over the same period the proportion of New Zealanders living in Auckland, Wellington or Christchurch grew from 36% to 47%[3].

DEFINING THE BABY BOOMERS

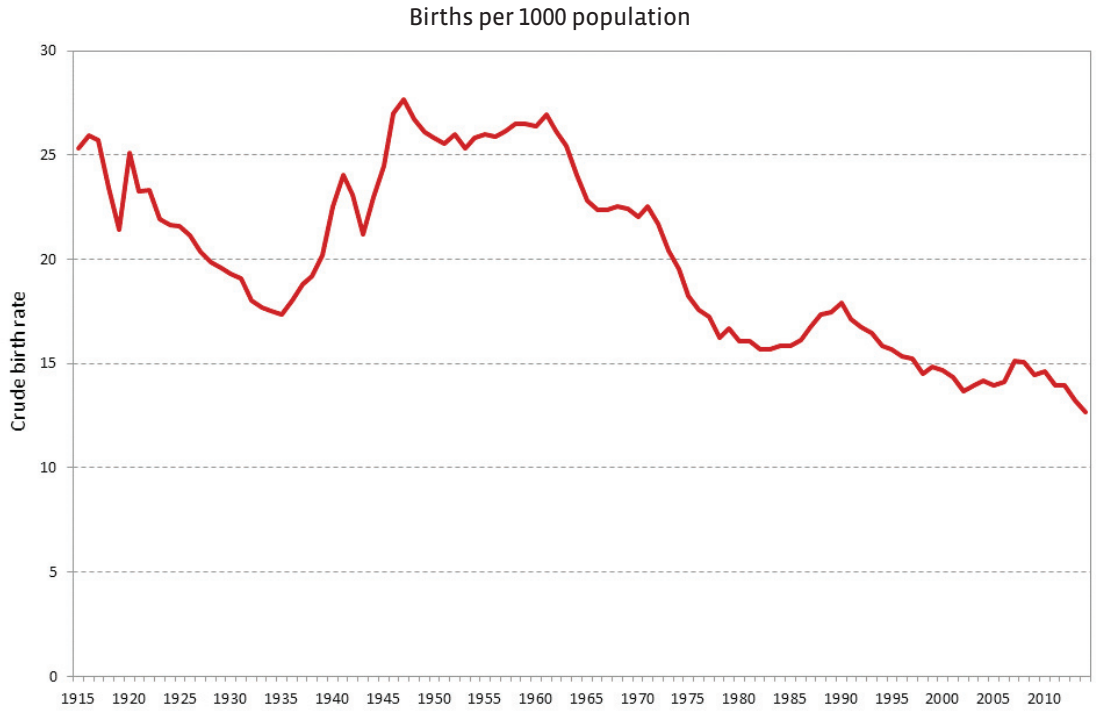
The baby boomers are defined as that generation born in the 20 years between 1946 and 1965[4]. They are important demographically because of their numbers and the distinctive bulge which this cohort of people provides to the age pyramid. This pyramid is offered in Figure 2.1 and is illustrated for the New Zealand population in 2013. At this time baby boomers were aged between 48 and 67 years old. In 2015 the baby boomer generation was aged between 50 and 69 and totalled 1.08 million people or 23.5% of the population. By comparison those aged under 20 totalled 1.23 million people or 26.8% of the population and those aged over 70 years old totalled 449,000 people or 9.8% of the population.

Figure 2.1: New Zealand population by age - 2013



The large numbers of baby boomers were due to the high birth rates which New Zealand along with Australia, Canada and United States experienced during the two decades immediately following World War II. New Zealand however was quite exceptional in the size of its boom relative to these other countries which, of course, now means that the demographic and fiscal challenges we face as the baby boomers reach old age are somewhat larger as well[5]. These birth rates are reported in Figure 2.2 for New Zealand for the past century, including the 20 years of the baby boom. The birth rate hit a record of 27.64 births per 1000 population in 1947 and remained above 25 births per 1000 until 1963 before gradually falling to 16 births per 1000 by 1978.

Figure 2.2: Crude birth rate in New Zealand - 1915 to 2014



THE DEMISE OF THE PROPERTY OWNING DEMOCRACY

The vision of New Zealand as a property owning democracy began to wane in the 1990's and arguably its demise can be traced to the so-called 'mother of all budgets' which was announced by National Party Finance Minister, Ruth Richardson in May 1991. This budget, in effect, established the neoliberal orthodoxy in the Government's fiscal and welfare policy although this orthodoxy had been ascendant since the election of the David Lange led Labour Government in 1984.

Richardson's budget is best remembered for the cuts to welfare budgets, although of perhaps equal importance were its radical changes in housing assistance policy. These changes included the imposition of market rents on state housing tenants alongside the introduction of the Accommodation Supplement which was a form of demand subsidy available to all low income households regardless of their housing tenure. The philosophical basis of these changes was tenure neutrality – the idea that policies focused on home ownership were distorting peoples' preferences around tenure and that what was needed were policies which allowed people to make unfettered choices around how they accessed housing[6].

A further major policy shift following the 1991 Budget was the privatization of the State's $2.4 billion mortgage portfolio which had been built up over the previous 50 years through State lending to modest income families for first time home ownership. This privatization was the second largest sell-off of state assets in this era of radical restructuring of the State[7].

Over the 24 years since the abandonment of home ownership support programmes, the rate of home ownership has quite predictably fallen. This rate now stands at the lowest level in almost 60 years since just after New Zealanders in 1949 grasped Holland's vision of a property owning democracy. This decline since 1991 is offered in more detail in Figure 2.3.

Beneath this decline is a more alarming feature. Of the 429,600 estimated new households formed between June 1991 and June 2015, 65% of them or 278,500 do not own the dwelling they reside in. In other words, for younger New Zealanders, the idea of home ownership is now quite illusory. At the same time the Government's efforts to promote home ownership through mortgage guarantee schemes, small grants and concessions on the use of KiwiSaver savings are cursory at best[8].

It is doubtful that this shift from owner-occupation to rented tenure is a matter of choice for the individuals and households concerned as well as the wider public. The most recent research on New Zealanders' housing tenure aspirations indicated that 'home ownership preferences and aspirations remained strong' and that there was 'firm support for Government support for first home buyers'[9].

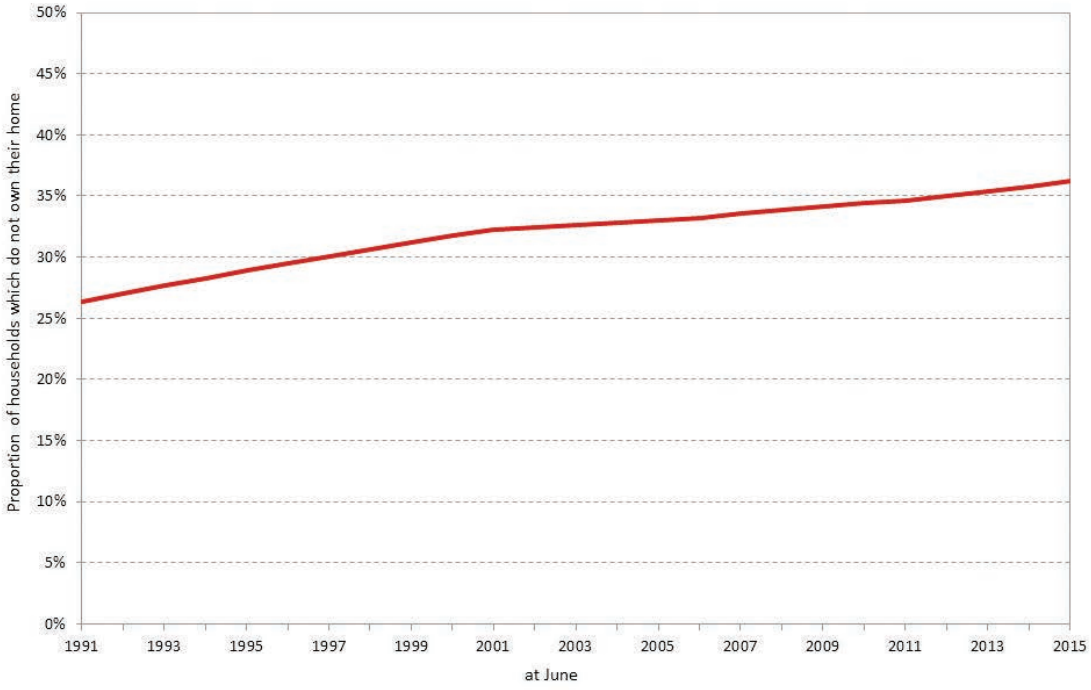
Achievement of home ownership tends to be related to the age of the principals within a household. Those in middle age have clearly had a longer working life than younger adults to be able to accumulate sufficient wealth to be able to buy a house and to sustain home ownership. A simple comparison of age with housing tenure will demonstrate that older people have a higher chance than younger people of owning their home, although the relationship between tenure and age is more complex that this simple observation. It is only through comparisons over time that we can observe if there has been a structural shift in the way in which housing is owned and accessed in a society. Such research based on the 2006 Census has already demonstrated that in New Zealand home ownership rates were falling in a structural sense[10]. This in-depth analysis has not been repeated using the results of the 2013 Census.

The following chapter offers some of this missing analysis. However at this stage it is important to note where baby boomers are positioned in the rising and then falling rates of home ownership discussed above.

Baby boomers probably began moving into the ranks of home owners between 1965 and 1970 when the oldest baby boomers were aged between 20 and 25. Around half of the baby boomer generation would have formed households and perhaps moved into homeownership before 1991 and the demolition of home ownership programmes by the Jim Bolger led National Government. At this time the youngest baby boomers were aged around 25 although by then a trend had set in of declining marriage rates, delayed family formation and later first time child birth for women[11].

This timing suggests that the older half of the baby boomer generation benefited from state supported home ownership programme while the younger half missed out. Given such a shift and the decline in home ownership rates which resulted from it, we should expect that rates of home ownership amongst baby boomers are not uniform but that ownership rates fall with the age of those concerned. This fall is likely to be a structural one and not something due to delayed first home purchase perhaps on account of an economic cycle or personal setbacks. This structural shift and its implications for future housing and income support are considered in the following chapters.

Figure 2.3: Proportion of households not owning their home – 1991 to 2015[12]



For whatever reason, the World War II generation grasped the idea of home ownership as being central not only to their own security and identity, but as a way of building a country with broadly shared opportunity. While a quarter of the population were effectively excluded from this idyll and remained as tenants, New Zealand had a relatively strong social housing sector both in the form of state housing and council owned housing catering for older people. Effectively the housing needs of most citizens were considered and to a large extent catered for as part of a widely shared social contract.

This was the world which the baby boomers inherited and in many ways squandered[13]. As a generation they mainly grew up in homes where the tenure was secure and the cost relatively affordable for their parents. They overlooked this legacy and the widely shared advantages which it offered when they had an opportunity to improve on housing policy and to extend social advantages. The rest is history – a history of falling rates of home ownership and diverging fortunes around wealth. As discussed in the following chapters this history also includes a legacy of thousands of baby boomers who face poverty in their old age simply because they did not have the good fortune of sharing the Kiwi dream of home ownership.

CHAPTER 3: HOUSING TENURE AND OUR AGING POPULATION

There is something of a perfect storm brewing around incomes and housing policy in New Zealand. This storm is a consequence both of long-term and well known demographic forces alongside various shifts in housing policy – some of which date back to 1991. Together these influences pose major challenges to New Zealand's ability to sustain the standard of living of hundreds of thousands of older New Zealanders.

This chapter lays out the genesis of these challenges by considering the current structure of housing tenure within New Zealand society and then overlays this structure onto demographic changes that are likely to emerge as the baby boomer generation reaches retirement age. The analysis offered here, and in the following chapter, largely ignores the position and plight of younger generations and so omits the significant challenges that already exist around inter-generational equity. While this omission is deliberate, it is probably necessary in part to be able to manage complexity, and in part to identify an area where the burgeoning needs of some members of older generations may come to dominate the political and policy environment unexpectedly and perhaps chaotically.

It is the intention of the report overall, and of this chapter specifically, to identify what are almost immediate pressures around the housing and income needs of poorer and older New Zealanders in order to be able to address the needs and expectations of other New Zealanders – both young and old.

DIFFERENT MEASURES OF TENURE

Measuring the split of housing tenures between those who own houses and those who don't own houses depends critically on who the 'who' is. Statistics New Zealand reports tenure in three main ways for the Census. These ways are as follows:

- the tenure of people who have identified in the census as tenure holders;
- the tenure of households living in occupied dwellings;
- the tenure of all people living in these households.

The overall structure of tenures measured by these three approaches is provided in Table 3.1.

Table 3.1: Tenure structure under three tenure measures – 2013

	Tenure holders	Households	People in households
Owned, including owned by family trust[14]	1,590,543	940,728	2,476,680
Not owned	1,603,011	512,109	1,413,282
Total: Tenure stated	3,193,557	1,452,837	3,889,959
Total: Tenure not stated	182,859	97,050	237,516
Overall totals	**3,376,419**	**1,549,890**	**4,127,475**
Proportion of stated tenure not owned	50%	35%	36%

Table 3.1 shows clearly that there are significant differences between the tenure of tenure holders, and the tenure of the overall population. These differences are partly due to the fact that children are deemed not to be tenure holders so must, by definition, share the tenure of the people living in their home who are the tenure holders. In the vast majority of cases this will be their parents.

However, this difference is not entirely due to where children are counted, as illustrated in Tables 3.2 and 3.3. Table 3.2 reports the proportion of tenure holders who do not own their homes, while Table 3.3 reports the proportion of the total population in dwellings by the tenure of those dwellings. Both tables cover the entire population as well as the age group populations of the baby boomer and World War II generations.

Two major things stand out in a comparison between Table 3.2 and Table 3.3. The first discrepancy between the total populations reported in Tables 3.2 and 3.3 is with there being consistently more tenure holders than the total population reported in households. This is because the people in households data has been provided by Statistics New Zealand on a customised basis and is derived by comparing census data from the surveys of individuals and data from the surveys of households. Given this comparison, there is clearly a minor mismatch, perhaps with some individuals not easily being attributed to a particular dwelling.

A slightly broader comparison between census night population counts and Statistics New Zealand's population estimates shows an even wider gap. This gap has been reconciled in the analysis and forecasts which follow by adjusting all tenure counts to the population estimate numbers. See Appendix 1 for these comparisons.

The second somewhat more significant discrepancy is that across the age cohorts reported in Tables 3.2 and 3.3, the proportion of tenure holders not owning their home is consistently larger than the proportion of people in households who do not own their home. This difference is significant and tends to confuse discussions around tenure shares.

The reason for this difference is in part due to the relationship between the actual people with legal tenure in a dwelling (through being named on a title or tenancy agreement) and others who are simply occupants – perhaps through being a boarder or family member. In a house which is owned and has a boarder, under the 'tenure holder' measure the house owner is an owner while the boarder is not. However, under the 'people in households' measure both people are classed as living in an owner occupied house. The 'tenure holder' measure is closer to the actual ownership patterns of individuals, while the 'people in households' measure is closer to how dwellings are owned or rented.

It is difficult to decide unequivocally which measure is more appropriate to a study of future housing demand patterns for the baby boomer generation. The 'tenure holder' measure provides a view of who does and does not own their home, while the 'people in households' measure gives an accurate measure of likely demand for rental housing. While the 'people in households' measure masks the proportion of adults who do not own their own home this measure simply reflects actual living arrangements of people and the way actual houses are occupied. Given this relationship to actual living arrangements and dwelling ownership patterns it would seem that the 'people in households' measure is slightly more relevant and is the best case scenario for estimating future demand for rental housing from retiring baby boomers.

Table 3.2: Tenure of tenure holders for selected age groups - 2013

Age group	45 to 49	50 to 54	55 to 59	60 to 64	65 to 69	Over 70	All ages
Not owned	103,425	89,529	68,619	55,344	42,132	104,847	1,603,011
Total stated	285,486	283,482	245,907	220,578	185,808	390,393	3,193,557
Not owned as % of total stated	36.2%	31.6%	27.9%	25.1%	22.7%	26.9%	50.2%
Total population	**301,635**	**299,997**	**260,184**	**233,163**	**196,020**	**411,012**	**3,376,419**
Not owned adjusted	109,300	94,700	72,600	58,500	44,400	110,400	1,695,000

Table 3.3: Tenure of population in households for selected age groups - 2013

Age group	45 to 49	50 to 54	55 to 59	60 to 64	65 to 69	Over 70	All ages
Not owned	81,321	69,177	51,480	41,100	31,701	66,594	1,413,282
Total stated	280,524	278,703	240,993	214,584	178,272	343,923	3,889,959
Not owned as % of total stated	29.0%	24.8%	21.4%	19.2%	17.8%	19.4%	36.3%
Total population	**296,307**	**294,405**	**254,691**	**227,073**	**188,604**	**371,529**	**4,127,475**
Not owned adjusted	85,900	73,000	54,400	43,500	33,500	71,900	1,500,000

CURRENT TENURE PATTERNS OF BABY BOOMERS

Regardless of which measure of tenure is used, both Tables 3.2 and 3.3 show a pattern of declining rates of homeownership, the younger the age of the baby boomer. For example, using the 'people in households' measure around 18% of 65 to 69 year olds (people born between 1944 and 1948) lived in dwellings not owned by occupants, as did 29% of those aged 45 to 49 years olds (born between 1964 and 1968). Such a pattern has been reported previously in New Zealand[15].

Figure 3.1 compares home ownership rates across age cohorts from the 2001, 2006 and 2013 Censuses for tenure holders while Figure 3.2 makes a similar comparison on a 'people in households' basis but only from the 2006 and 2013 Censuses. The rates reported in these graphs have been interpolated from the five-year cohort data recorded and reported in the Censuses. Figure 3.3 compares reported home ownership rates in 2013 for both tenure holders and people in households for the baby boomer generation cohorts.

Figure 3.1: Home ownership rates amongst tenure holders – 2001, 2006 & 2013

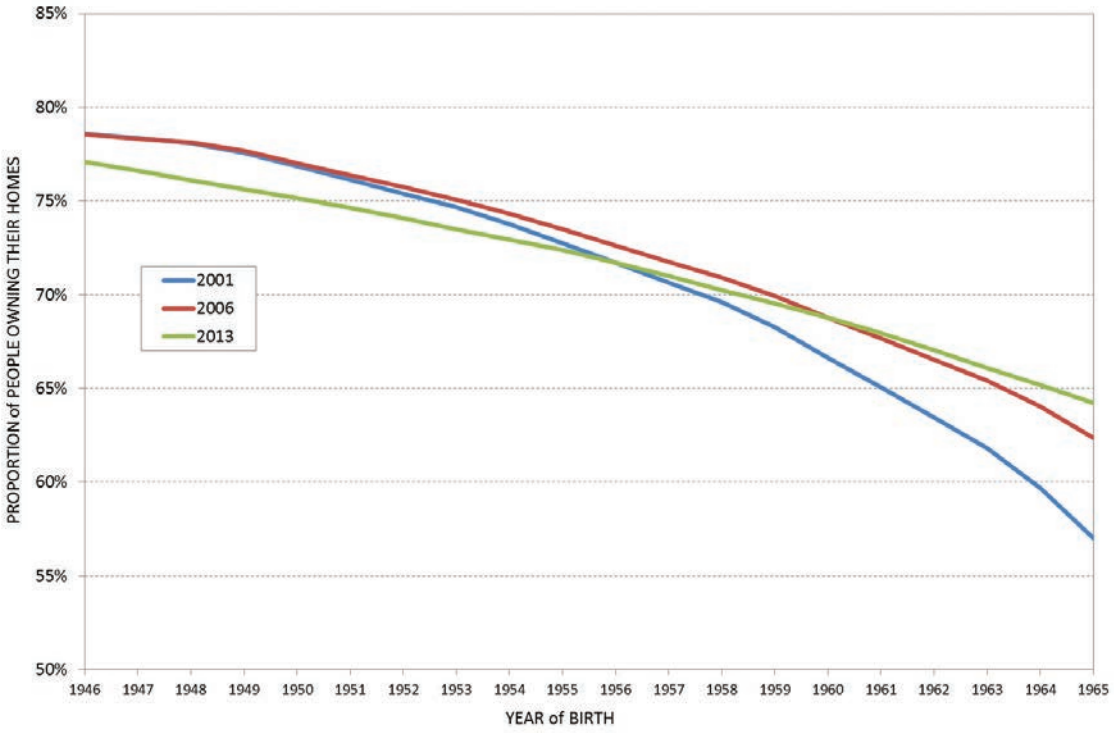


Figure 3.2: Home ownership rates amongst people in households – 2006 & 2013

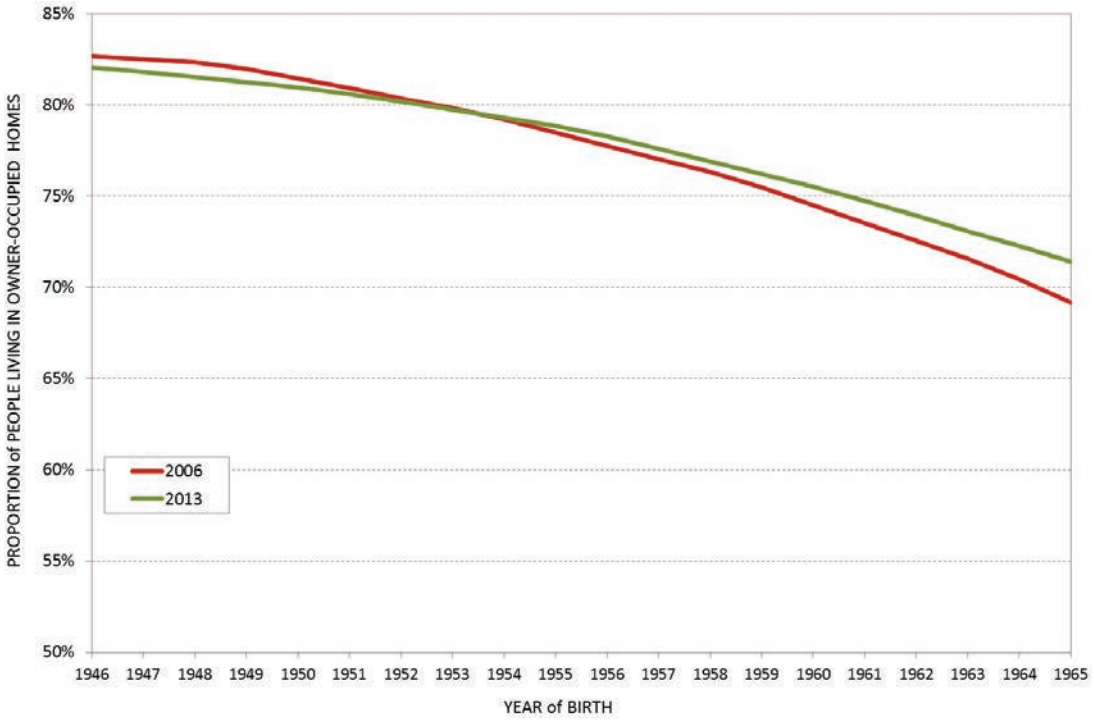
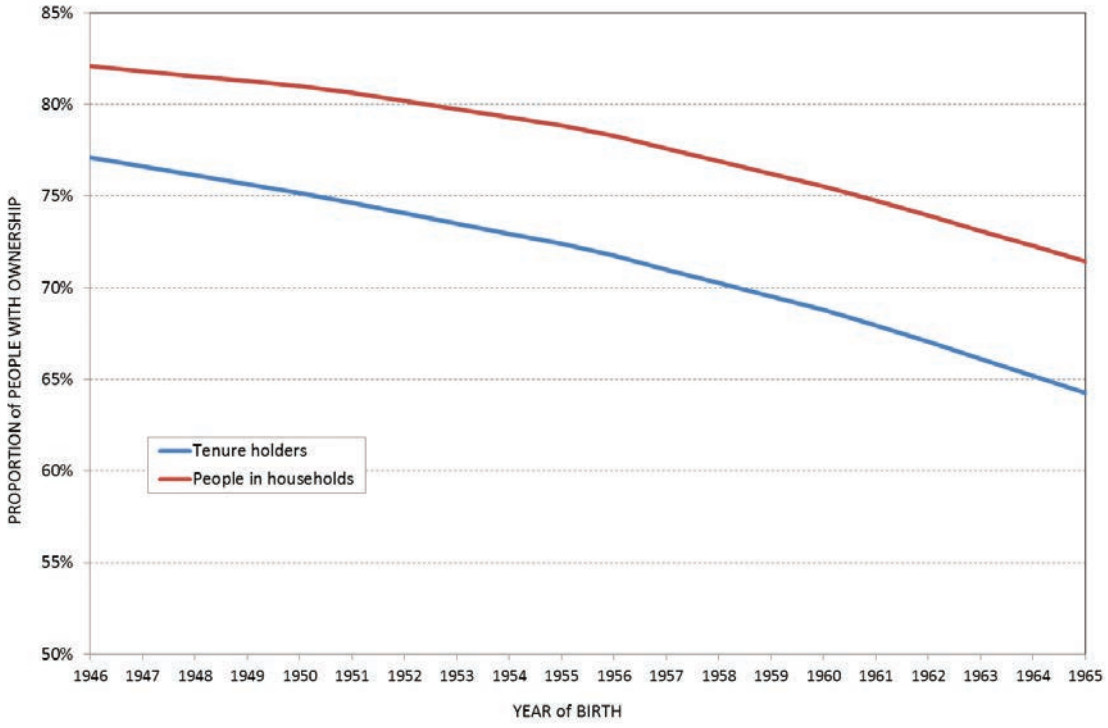


Figure 3.3: Comparison of reported home ownership rates - 2013



Three features stand out in the trends reported in Figures 3.1, 3.2 and 3.3. The first is the similarity with which home ownership rates fall for younger age cohorts under both tenure measures considered here. For example in 2013 the youngest baby boomer cohort (born in 1965) have a home ownership rate 13% lower than the oldest cohort (born in 1946) on a tenure holder basis, and 11% lower on a 'people in households' basis. Such a trend is probably to be expected given that peoples' saving and consumption patterns to some extent match to their stage of life. People often tend to acquire wealth later in their working lives as their incomes rise and perhaps as the cost of their family responsibilities diminish. A further contributing factor might be the diminishing value of home ownership support programmes, which effectively ended in 1991[16] when the youngest baby boomers were around 25 and probably only just moving into the home ownership stakes.

The second noticeable feature, and one which is consistent with the idea that savings and consumption follow some sort of life cycle, is the increasing probability that a person in the younger baby boomer cohorts own their home as they age. For example, using the 'tenure holder' measure, in 2001 a person born in 1965 had a 57% chance of owning their home but by 2013 this probability had risen to 64%.

A third and perhaps unexpected result, which is offered by both Figure 3.1 and 3.2 are the falling rates of home ownership in late middle age. For example, using the 'tenure holder' measure again, rates of home ownership fell between 2006 and 2013 for all cohorts born prior to 1955. The extent of such a fall is small – around 1% but it does point firstly to a stage in the aging process, and during a person's working life, when home ownership rates will stabilise and when it is even likely that some people will lose their

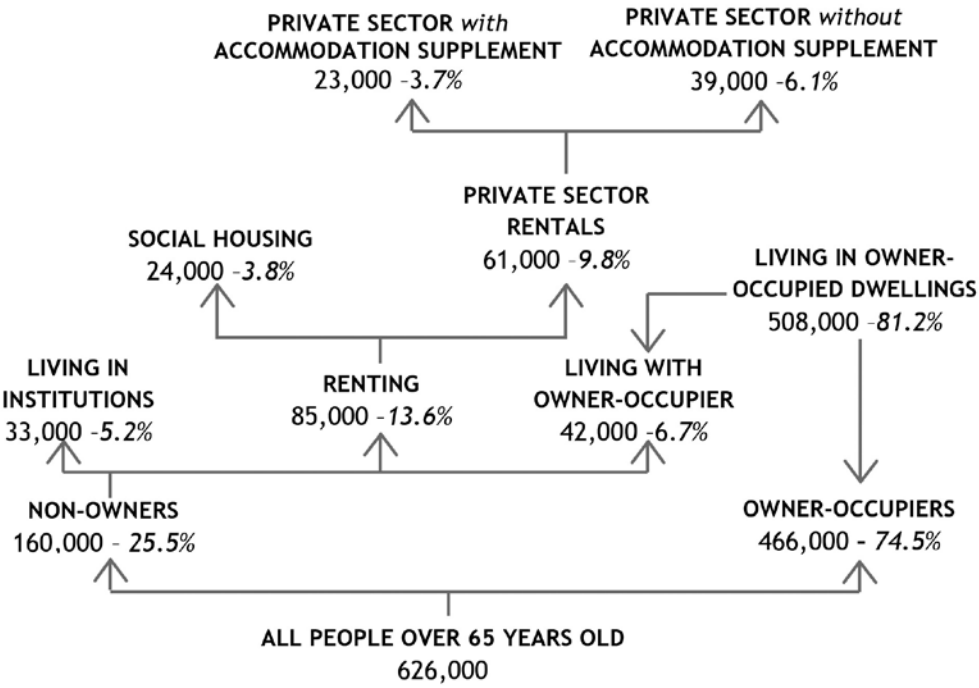
home ownership. The causes of such loss are not well documented although it will probably be linked to changes in personal relationships and perhaps financial misadventure[17]. Most likely too the impacts of such changes and set-backs are felt differently by men and women, as women on average receive lower wages and have lower levels of employment across all age groups. Appendix 2 offers some evidence of this.

OVERALL TENURE PATTERNS FOR PEOPLE AGED OVER 65

The idea of housing tenure is a richer concept than just the dichotomy between ownership and non-ownership. For example, as indicated above, there is a difference between someone not owning the dwelling they live in and them living in an owner-occupied dwelling as a member of the household or as boarder perhaps. A dwelling may be owned by a family trust which serves the occupants interests even though they are not the direct owners. There is also the difference between someone living in an institutional setting such as in a rest home or hospital and someone living in rented accommodation as a tenant[18]. Furthermore, there is the difference between those renting from the state or some other social landlord and those renting from the private sector. For housing policy settings there is still further difference between a private sector tenant who receives a housing subsidy from the state, and one who does not.

These differences can be represented as a type of tree, although a tree with some very heavy and some quite spindly branches. Such a representation of tenure with 2013 Census based estimates of numbers and shares is provided in Figure 3.4[19]. This breakdown of tenure for older people will form the basis of forecasts and analysis, which are offered in the following chapter. More details of these estimates are provided below in this chapter.

Figure 3.4: Breakdown of tenure for people aged 65 and over – 2013



PEOPLE LIVING IN NON-PRIVATE DWELLINGS

Most people who live in institutional settings such as hostels, rest homes and hospitals are said to be living in institutional non-private dwellings[20]. In addition, there are other people living in hotels, motel, hostels and boarding houses which fall outside residential institutions but are nonetheless defined as 'non-private dwellings'. Table 3.4 reports 2006 and 2013 Census data on the numbers of people living in such establishments.

While there has been a 14% increase in the numbers of people living other than in private dwellings this increase is largely on account of population growth and aging. In 2006 the numbers of 65 to 84 year olds living in institutions represented 3% of the total population of that age, while by 2013 this proportion had fallen slightly to 2.6%. For those aged over 85 years old in 2006, 25% were living in a residential institution such as a rest home and this proportion also fell marginally to 24% in 2013.

Table 3.4: People living in non-private dwellings - 2006 and 2013[21]

	Under 40	40 to 64	65 to 84	Over 85	Total
2006					
People in institutions	12,345	4,722	13,413	14,559	45,039
Other non-private dwellings	14,268	6,543	1842	624	23277
Total in non-private dwellings	**27,789**	**12,084**	**15,525**	**15,291**	**70,695**
2013					
People in institutions	24144	7,842	16,056	17,625	64,170
Other non-private dwellings	9,135	5,868	1,842	90	16,500
Total in non-private dwellings	**33,471**	**13,902**	**15,990**	**17,715**	**81,078**

The growing population of over 85 year olds and their likely need for institutional care is considered as an issue in the following chapter.

SOCIAL HOUSING SUPPLY

Social rental housing is provided mainly through Housing New Zealand although a significant number of rental dwellings are also provided by local councils. Housing New Zealand manages approximately 68,200 rental units and provides almost 21% of these, or around 14,000 tenancies, to people aged 65 years and over. In addition a further 44% of its units are rented to tenants aged between 45 and 64 years of age.

Local government owns and manages around 7,300 social housing units, which are made available to people aged over 65 although eligibility varies from council to council. Data on how many elderly tenants are housed in this stock is not available although it appears likely that this figure is around 9,000[22]. A summary of a survey of council owned housing undertaken for this report is attached as Appendix 3.

Not-for-profit housing providers or the community housing sector, report that community housing organisations own and/or manage 4,160 units[23]. There is, however, no information available about the number of tenants housed in these units or the proportion of tenants aged over 65. Many not-for-profit

housing providers have tended to cater for the housing needs of people with disability needs or mental health problems[24]. Given this emphasis it seems likely that the number of older people living in this housing provided by not-for-profit groups would be between 500 and 1000.

In other words, the number of people aged over 65 who live as tenants in social housing is most likely to be between 23,000 and 24,000. This number is unlikely to have changed at all over the past five years given the absence of any significant building programmes and a slight but gradual diminution of the existing social housing stock over the past three years[25].

HOUSING SUBSIDIES FOR OLDER PEOPLE

Those people who receive a New Zealand Superannuation transfer and who also face relatively high housing costs are entitled to a further housing subsidy from the State which is known as the Accommodation Supplement (AS). This payment is available to tenants, boarders and home owners and is generally provided when housing costs exceed 25% of a person's or household's income. Table 3.5 provides data on trends in the payment/receipt of the AS by New Zealand Superannuation recipients over the past five years. This data provides some evidence that a small but increasing number of people aged over 65 are struggling to meet their housing costs on the limited income provided through New Zealand Superannuation.

Between 2010 and 2015 the numbers of people receiving the AS on top of their New Zealand Superannuation has grown by 34% with the greatest growth, of 37%, being in the numbers receiving the AS to assist them to meet rent payments. Against this background of rising demand for the AS the numbers of people claiming Superannuation grew by 23% over the same period. As a result the proportion of New Zealand Superannuants who also receive the AS has risen from 4.7% in 2010 to 5.2% in 2015.

Table 3.5: Numbers of people aged 65 and over who are receiving NZ Superannuation (NZS) & Accommodation Supplement (AS)

At 30 June	2010	2011	2012	2013	2014	2015
NZS & AS renting	18,445	19,555	21,118	22,667	23,816	25,346
NZS & AS boarding	2,793	2,745	2,888	3,081	4,395	3,547
NZS & AS owning	5,220	5,411	5,683	5,938	6,234	6,595
Total NZS & all AS	**26,458**	**27,711**	**29,689**	**31,686**	**34,445**	**35,488**
AS recipients as % of all NZS recipients	4.7%	4.8%	4.9%	5.0%	5.2%	5.2%

WHERE DOES THIS LEAD TO?

This chapter has laid out the pattern of housing tenure of older New Zealanders including those now retired and those reaching retirement age over the next 15 years. The pattern reported here is for home ownership rates to fall off relatively quickly the younger a person is. This decline is a structural shift in how wealth in general and housing in particular is held in New Zealand. This structural shift has clear implications for New Zealand's retirement income policies. The adequacy of New Zealand Superannuation to maintain incomes and living standards has relied on high levels of home ownership and to some extent moderate levels of social housing provision for those older people who have not made it into the ranks of the homeowners. The 'left outs' in this set of arrangements are the 10% of people over 65 who have rented in the private sector.

Three or four quite significant trends are now working to increase the numbers of people squeezed between the relative security of home ownership and the comparative generosity of social housing. These trends have been set out in this chapter and to recap there are:

- falling rates of homeownership which are in part a consequence of the ending of meaningful home ownership assistance policies in 1991;
- rising numbers of people reaching the nominal retirement age of 65 on account of the baby boom population bulge which arose between 1946 and 1965;
- minimal building of new state and social housing units at the same time that many of the current working age social housing tenants age and seem quite unlikely to ever shift out despite recent changes to remove tenure security for state tenants.

A further trend, to be reported in later chapters, is for rents to move in line with wages and salaries while income entitlements outside of Superannuation might lag behind these.

The next chapter builds on the data and conceptual models offered in this chapter in order to consider the extent and nature of these trends in more detail.

CHAPTER 4: FUTURE HOUSING DEMAND FROM OUR AGING POPULATION

This chapter is an attempt to forecast the extent and nature of the housing demand of older New Zealanders – those aged over 65 years old. Such forecasts are incumbent on two main trends: changes in the population of older people; and how these people choose to live, or at least are obliged to live through force of circumstance and choices available.

While population forecasts are always a little speculative, for older populations such forecasts are often less uncertain because they are already living, they tend to be less inclined to move to other countries, and we have good data on mortality patterns.

Forecasting the living and lifestyle choices of people is more difficult so it is always more speculative to try to predict such things as household formation patterns, and hence demand for housing. This uncertainty is increased by the unpredictability of economic fortunes and hence of the ability of individuals and households to exercise choice within the housing and labour markets. Should, for example, the next decade prove to be one of limited economic opportunity it seems likely that more individuals and families will be forced to live in shared accommodation. This certainly is a prospect for tens of thousands of older people as is illustrated in this chapter.

This chapter first considers current and well known forecasts of the age structure of New Zealand's population and in particular, the increasing size and proportion of the population aged over 65 and older. The chapter then considers the structural change that has occurred in homeownership patterns between generations and the new tenure patterns that have emerged from this change. The report then uses these new tenure patterns to forecast future home ownership rates both for the baby boomers who are approaching retirement and for others who have already passed the nominal retirement age of 65. These forecasts of home ownership rates are subsequently used to build a wider tenure model which includes scenarios around how many older people will end up as tenants, or will require access to residential care institutions such as rest homes.

FORECASTS OF NEW ZEALAND'S OLDER POPULATIONS

Statistics New Zealand undertakes a comprehensive and up to date set of population forecasts and these offer predictions of future populations in each single year age cohort. These forecasts are based on a number of scenarios where some of these scenarios are driven by probability estimates, while others are based on alternative assumptions around such demographic variables as fertility, mortality and migration. Figures 4.1 and 4.2 offer some of the results for some of these scenarios.

Figure 4.1 reports Statistics New Zealand's forecasts for the over 65's population between 2015 and 2030[26]. Results from the 25th percentile, 50th percentile (or median) and the 90th percentile scenarios are reported on this graph[27]. This graph shows the fairly small variance between these scenarios.

Figure 4.1: Forecasts of New Zealand's over 65's population – 2015 to 2030

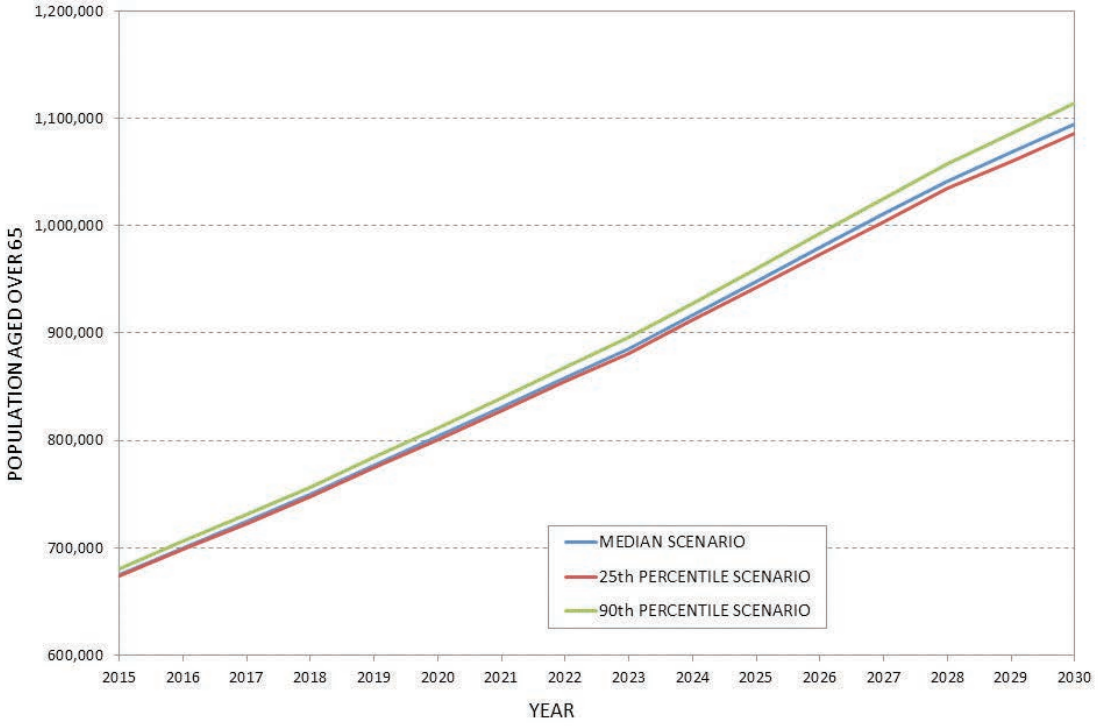
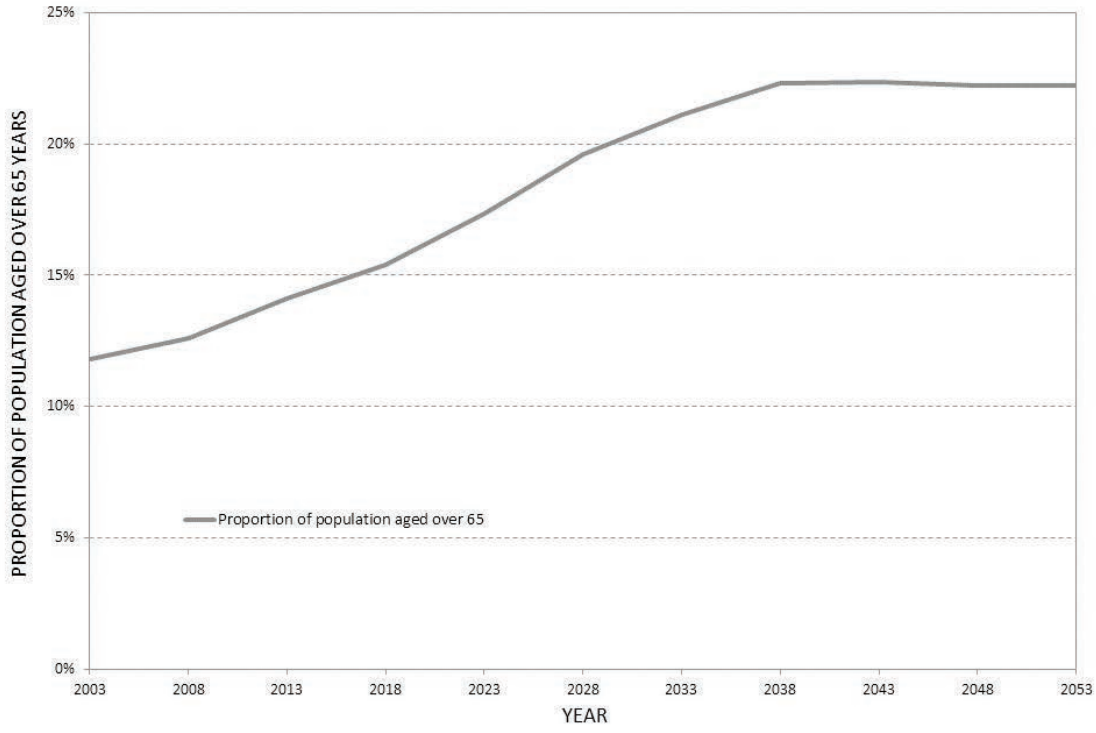


Figure 4.2 and the following analysis utilise forecasts from Statistics New Zealand's median scenario as this is a mid-range scenario. Figure 4.2 reports the over 65's population as a proportion of the total population for the 50 year period 2003 to 2053. This trend is the nub of the challenge being presented in this report – that of an increasing proportion of the population reaching retirement age, and with this the prospect of them being reliant on state funded retirement incomes which may or may not be sufficient to cover their housing costs.

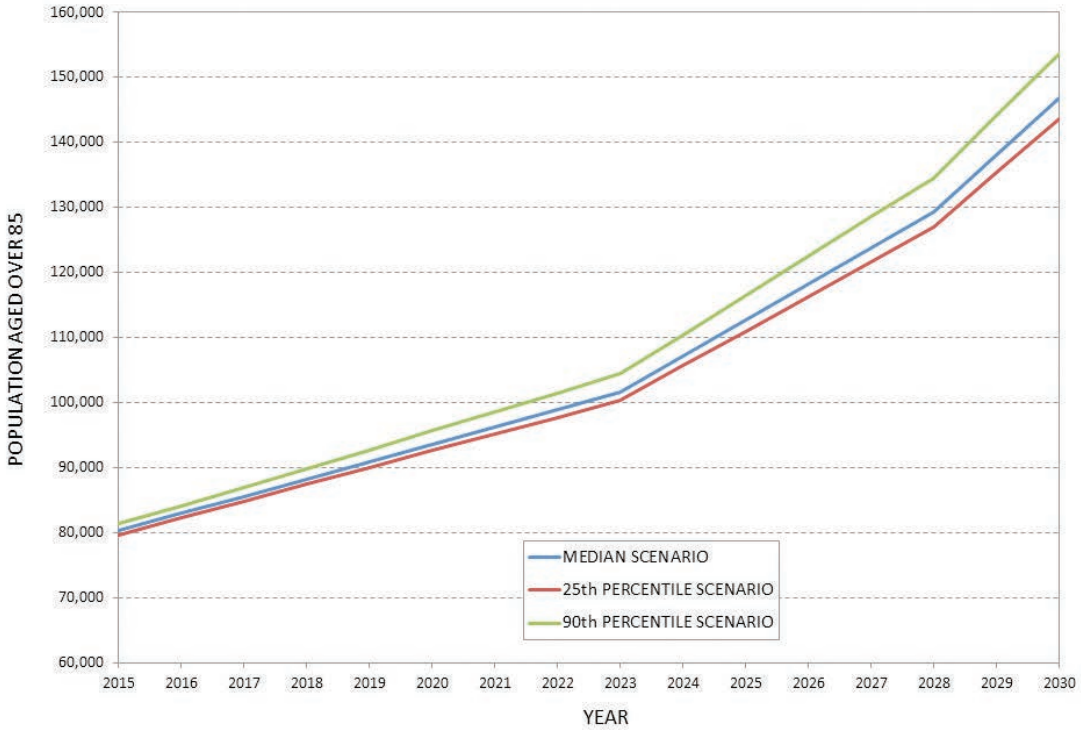
Figure 4.2 shows a continuous increase in the proportion of the New Zealand population aged over 65 from 2008 until 2038. Over this 30 year period the over 65's population rises from 12.6% to an expected 22.3% of the entire population. This 30 year period roughly corresponds with the retirement of the baby boomer generation who reach 65 between 2011 and 2030. Beyond 2038 the proportion of the population aged over 65 levels off at around 23%.

Figure 4.2: Proportion of population aged over 65 years old - 2003 to 2053



Of some importance also is the number of people who might be considered the frail elderly – those people who are toward the end of their lives and who need additional support to live independently or who may even need institutional care. Frailty in old age is not necessarily due to age but often to how close a person is to the end of their life so, of course, a 65 year old can be more frail than an 85 year old. Clearly however, the older a person is the more likely they are to become frail, so as a proxy measure of the frail elderly the number of people aged over 85 is used. Forecasts of the over 85 year old population for the period 2015 to 2030 are reported in Figure 4.3 for the same three scenarios reported in Figure 4.1. Under the most expansive scenario, the numbers of people aged over 85 will nearly double to almost 154,000, and even under the median scenario the numbers of people within this age group will grow by more than 6% annually from 2025 onwards. As discussed below this growth has a significant consequence for housing support budgets as presently around 23% of over 85 year olds live in residential institutions such as aged care facilities such as rest homes.

Figure 4.3: Forecasts of New Zealand's population aged over 85 – 2015 to 2030



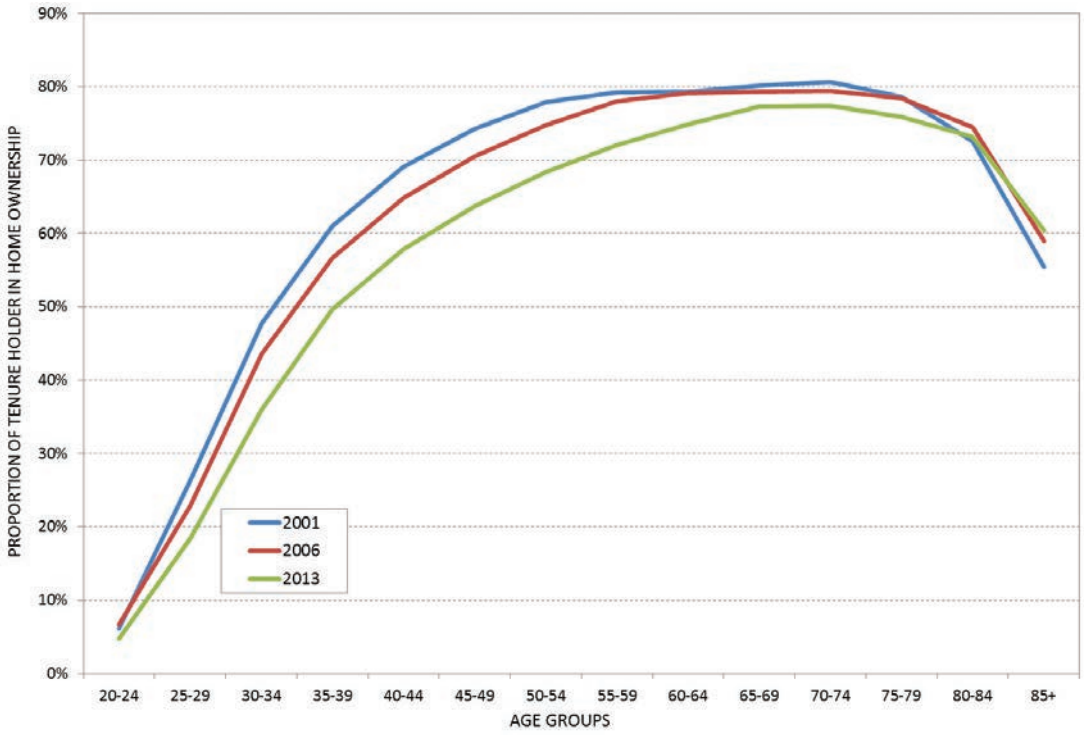
BROADER PATTERNS OF TENURE BY AGE

Forecasting housing demand of the elderly and in particular of the aging baby boomer population relies in part on creating an appreciation of tenure patterns around retirement and of subsequent changes in tenure following retirement. As discussed in the previous chapter the probability of an individual being a home owner increases during her or his working life, although the rate of this increase tapers off as she or he nears retirement age. This means the highest level of home ownership most likely amongst any particular age cohort is reached around retirement age, and that following retirement these rates begin to fall.

Figure 4.4 provides some indication of tenure change across the various ages from the 2001, 2006 and 2013 Censuses. Two things are most noticeable about the results offered in this graph. The first is the dramatic fall in home ownership rates for any given age group between 2006 and 2013. For example the chance of a person aged 40 to 44 years old owning their home at census time fell from 65% in 2006 to 58% in 2013. This decline and its implication for home ownership rates at retirement have been considered in the previous chapter.

The second noticeable result from Figure 4.4 is the very sharp decline in home ownership rates after a person reaches 85 years old. As discussed previously this decline is, of course, due to people moving out of independent living (which is most likely owner-occupied) and into supported living possibly with family but often to an institutional setting.

Figure 4.4: Home ownership rates of tenure holders - 2001, 2004 & 2013



The two notable results offered in Figure 4.4 are important for the assumptions made in forecasting future demand for housing and other accommodation for the aging baby boomer population. These assumptions are around the level of home ownership reached at retirement and the timing of people moving from independent living to some form of residential care. These questions are considered in the following sections.

TENURE FORECASTS TO 65

Forecasting tenure patterns for older people in 2030 clearly requires some prior understanding of current tenure patterns amongst those who will be old, that is, over 65 in 2030 as well as some appreciation about what might happen to these tenure patterns over the next 15 years. Current tenure patterns are reported in the 2013 results offered in Figure 4.4 above. What has happened and will happen beyond 2013 is speculative although we can use past experience as some sort of guide to the extent of change which is possible. This past experience is to some extent reported in a graphical way in Figure 4.4 in the comparisons between the Censuses.

To be able to make more exact comparisons across time some disaggregation of the data available from the 2001, 2006 and 2013 Censuses is required. As part of this disaggregation generalising assumptions have been made around what has happened to each age cohort's housing position across time. Through these assumptions nominal age cohorts have been created around calendar years from 1911 through until 1965. The probability of individuals in each cohort owning their home were estimated by interpolating the

home ownership rates reported by five year cohorts in each of the three Censuses. From these estimates it is possible to create a picture of what has happened to the housing tenure of each cohort across a 12 year period – 2001 to 2013.

From the tenure by age profiles reported in Figure 4.4 it is the case that ownership rates between 2001 and 2013 have fallen for all age cohorts. These falls suggest that unless there is a sudden reversal in many individuals' housing fortunes, home ownership rates at retirement will be lower in the future than those which have been achieved over the past two decades. The question to be answered by any forecasts is around the likely extent of such a decline.

Answering such a question requires some assumptions to be made around the future housing fortunes of each age cohort. It is not possible to make predictions of such fortunes with any certainty, but the value of scenario building is in testing the sensitivity of an outcome to changes in the underlying assumptions. This is what has been done in the following analysis.

Three scenarios are offered in this analysis and as is typically done these cover the range of expected or possible outcomes around a key variable. In this case the key variable is the rate of home ownership amongst individuals of any given age cohort. The three scenarios considered here are as follows:

- a pessimistic view which assumes that future trends in tenure patterns will follow recent ones and in particular that the tenure path of younger cohorts will follow entirely that of older cohorts through to when they reach 65;
- an optimistic view which assumes that the average rate of home ownership for each single year cohort will increase by 0.5% per year until that cohort reaches 65 and;
- between these a medium scenario which assumes no change in home ownership rates right through until a cohort reaches 65.

Figure 4.5 offers a summary of possible housing tenure changes of selected baby boomer age cohorts between 2015 and when they reach 65. In the case of the youngest baby boomer cohort – those born in 1965, this will occur in 2030. Figure 4.5 reports the most pessimistic scenario run in this analysis with stable and then declining home ownership rates which is consistent with the pattern of falling rates in late middle age as reported in Figures 3.1 and 3.2.

Figure 4.5: Forecasts of home ownership rates to 65 – PESSIMISTIC SCENARIO

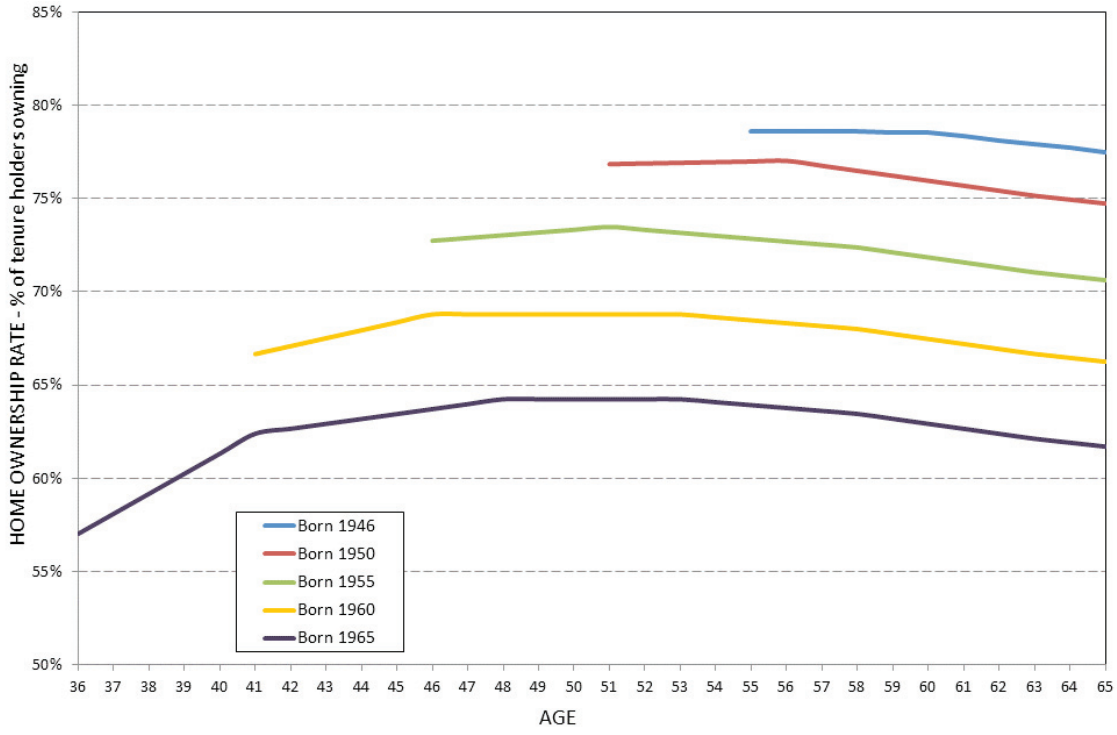
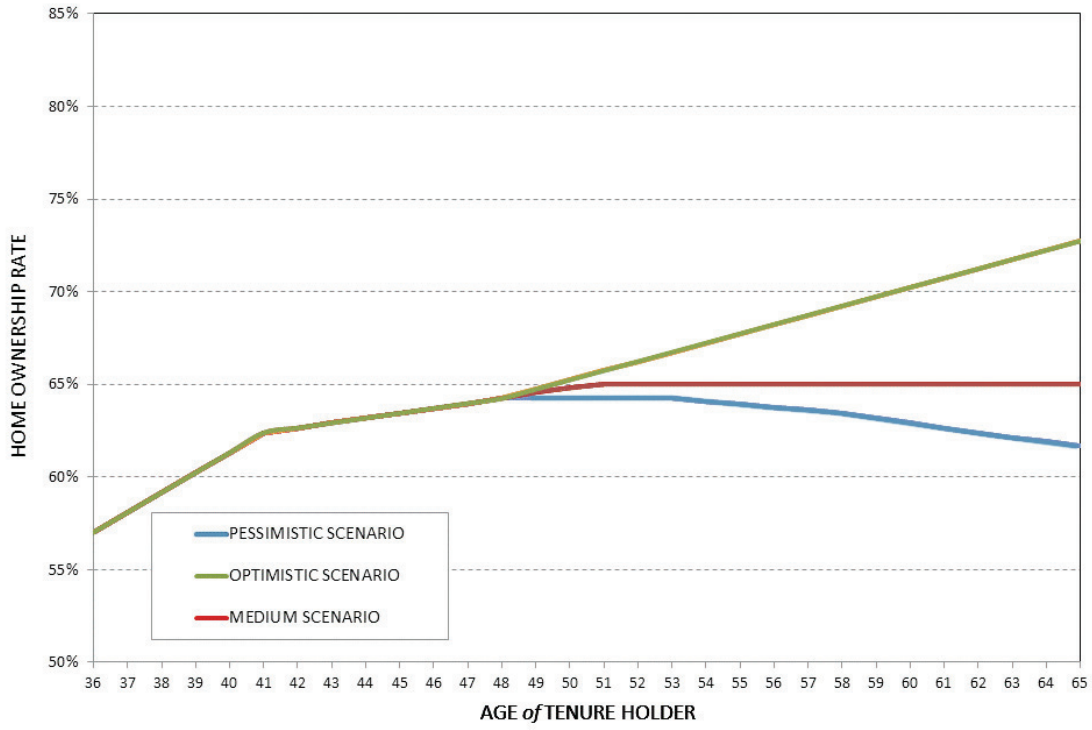


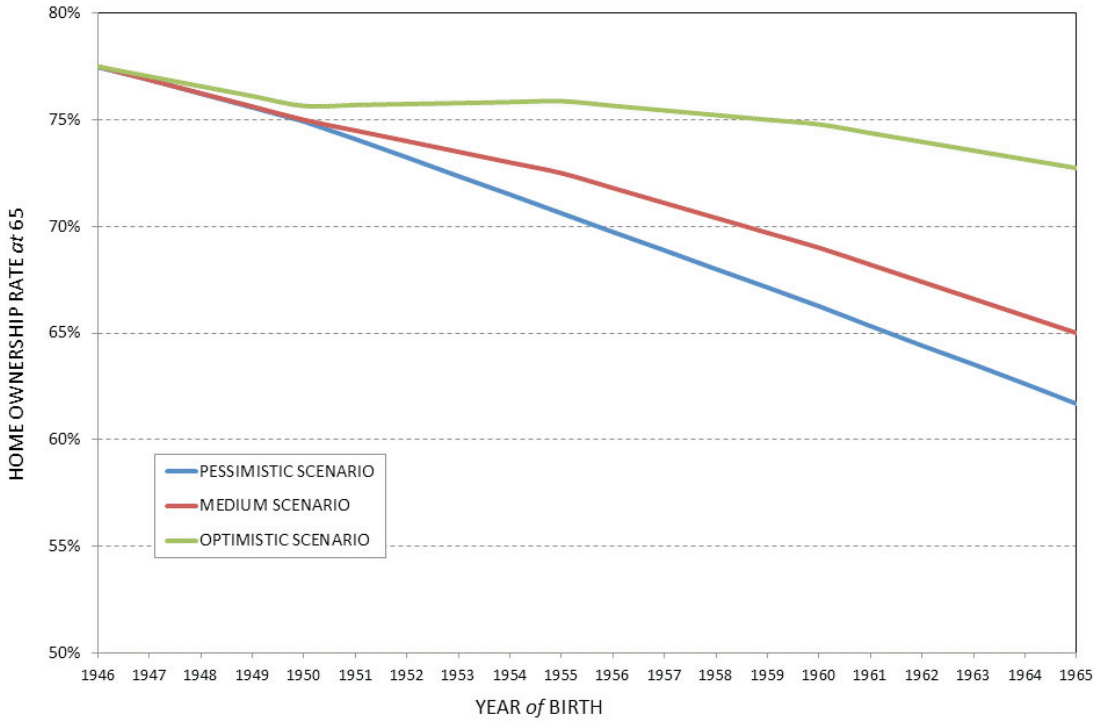
Figure 4.6 compares the ownership rate forecasts for each of the three scenarios considered here but just for the youngest baby boomer cohort which was those born in 1965. The pessimistic scenario offered in this graph is the same as that offered in Figure 4.5 and the median and optimistic scenarios are superimposed on this for the sake of comparison.

Figure 4.6: Home ownership rate scenarios for cohort born in 1965



Although these scenarios are entirely fabricated and have no empirical basis for accepting them as likely or possible, they do illustrate the range of tenure outcomes which the baby boomer generation faces around the time of their retirement from the workforce. This range of outcomes at age 65 and for each of the scenarios is reported for each single year cohort in Figure 4.7. This figure indicates that even under very optimistic assumptions of rapidly improving home ownership levels amongst younger baby boomers during the last 10 or 15 years of their working lives, they will still retire with significantly lower ownership rates than their parents and the older cohorts of baby boomers. This decline is a consequence of the reduced opportunities to become home owners from 1991 onwards, especially for those born after 1960. As mentioned earlier this is the legacy which housing policy for older people will now have to address over the next decade or two.

Figure 4.7: Forecasted home ownership rates at age 65



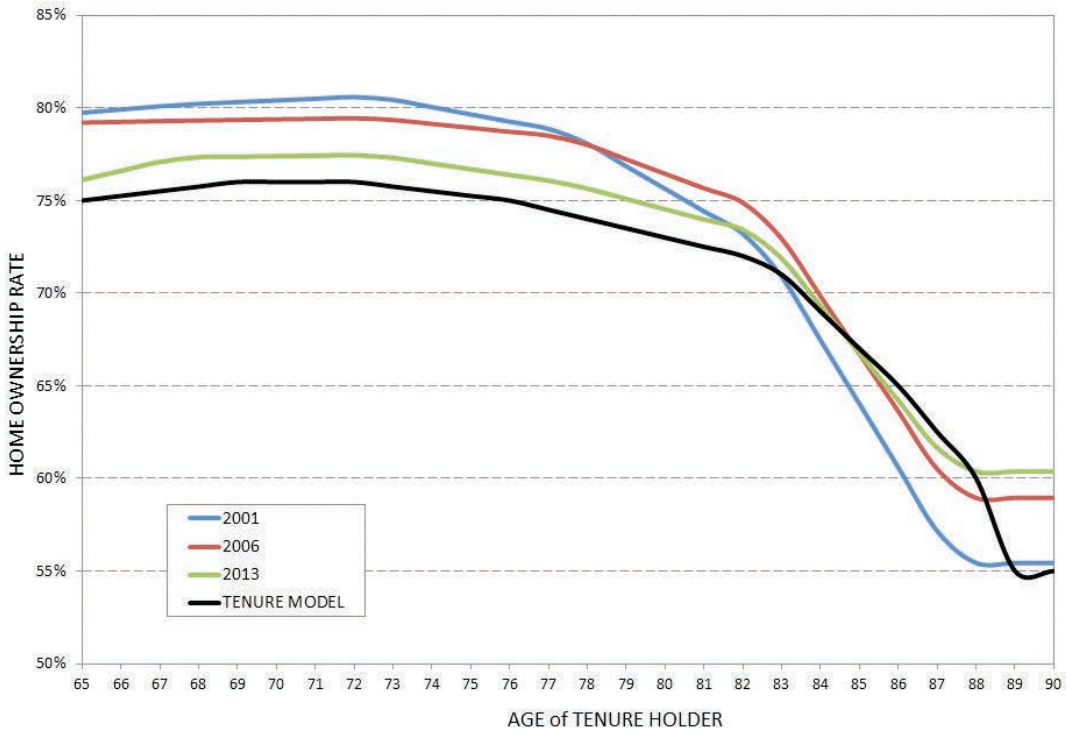
TENURE FORECASTS FOR OVER 65'S

The other part of the puzzle of forecasting future tenure patterns of older New Zealanders is around considering what happens to tenure, and in particular ownership rates, after retirement. The recent past offers some insights into such a future and this past is reported in Figure 4.8. The data offered in Figure 4.8 is based on five year cohort results reported in the 2001, 2006 and 2013 Censuses and is interpolated down to single year cohorts to allow for comparisons across time.

The trends from each of the Censuses reported in Figure 4.8 show a consistent pattern. While it is not strictly the case, these patterns can be interpreted as a tenure pathway for a particular age cohort although of course where each cohort 'starts' in the ownership stakes at age 65 will vary – as indicated in Figure 4.7. The consistent pattern is that during the decade or so following a cohort reaching 65 its ownership rate remains quite stable and appears to even rise slightly. Around age 75 a cohort will begin to experience declining rates of home ownership, most likely as a result of increasing numbers requiring additional levels of care and support. Beyond 82 this decline speeds up and although Figure 4.8 indicates that ownership rates stabilise again around 88 this is simply a statistical convenience due to the absence of detailed reported tenure data beyond age 85[28].

The trends reported in Figure 4.8 have been generalised into a tenure model trend line which is also shown in Figure 4.8 against a nominal starting value of a 75% home ownership rate. This trend line has been used in the following analysis to forecast tenure patterns for each age cohort beyond age 65.

Figure 4.8: Home ownership rates for those aged over 65 – 2001, 2006 & 2013

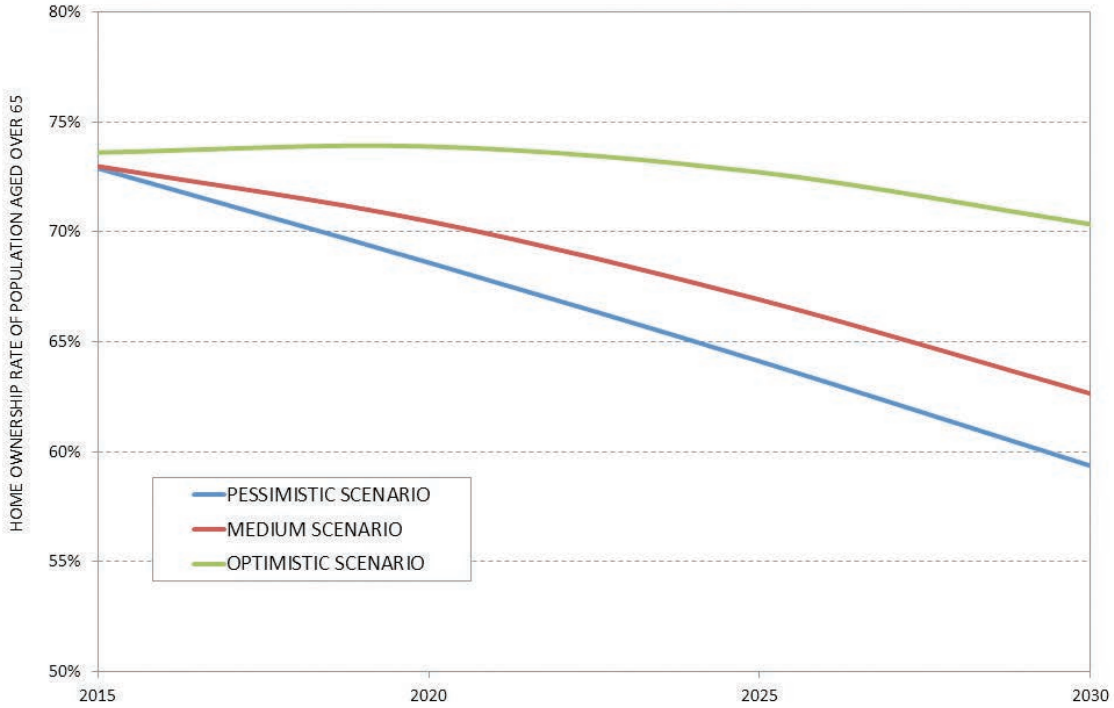


The assumptions made in the forecasts which are offered in Figures 4.7 and 4.8 have been combined into an overall tenure forecast model which follows the structure offered in Figure 3.4. Parts of this model are quite speculative in that they rely on assumptions around future policy settings such as the future provision of social housing, funding and other support for older people to continue living in their homes as well as levels of access to institutional care for the frail elderly. With sufficient political will such settings can, of course, be changed relatively quickly. While it is possible to make assumptions around these they are not predetermined and so, to a limited extent, neither are the housing outcomes which they contribute. Trends such as an aging population are irresolvable, while settings such as distributions of wealth and ownership take much longer to influence through public policy – even with political will. It is around these resolute or intractable settings that the tenure forecast model has some value as it allows us to gain some insights into where a business as usual approach to housing and income policy will lead us over the next 10 to 15 years.

Figure 4.9 provides a summary of forecasts of the overall rate of home ownership amongst those aged over 65 over the next 15 years. As expected, the pessimistic scenario shows the greatest decline in home ownership rates, suggesting that this rate could fall from an estimated 73% presently to less than 60% over the next 15 years. The medium scenario – of no real change in present rates of home ownership amongst the working age baby boomers, also suggests a significant decline in ownership rates to around 63% by 2030. Even the optimistic scenario shows a modest decline in the overall ownership rate at around 70%.

The reason for these forecast declines is not within the model but within the existing tenures of younger baby boomers. As shown in Figure 3.3 home ownership rates reduce significantly across the baby boomer generation and as shown in Figure 3.1 this reduction is not due to a stage of life type effect but to a structural change in rates of home ownership[29]. Even when scenarios involving quite optimistic improvement in home ownership rates are considered the aggregate ownership for over 65's is still likely to fall. This is partly on account of the legacy of diminished prior opportunities for younger baby boomers to move into home ownership, and partly because of the growing numbers of older people entering the over 85 age groups and most likely losing the ability to live independently.

Figure 4.9: Forecasts of home ownership rates of over 65's – 2015 to 2030

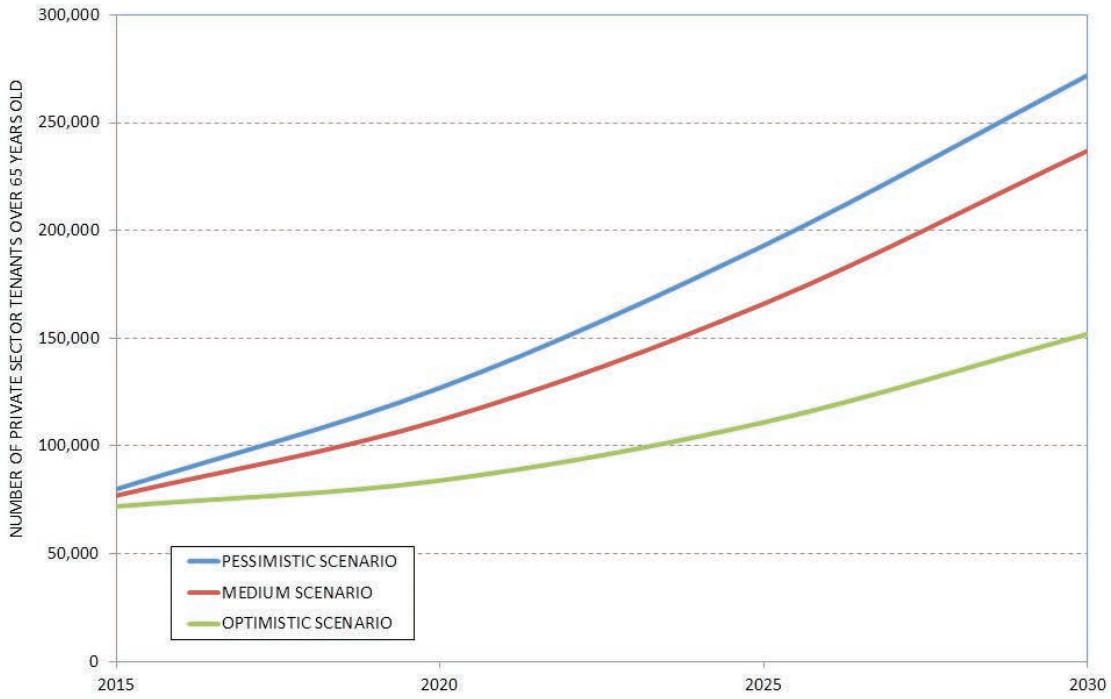


The direct consequence of these expected declines in home ownership rates amongst those aged over 65 is, of course, that more people in this age group will be renting. The extent of such an increase will depend in part on how many people are able to live, or choose to live, with owner-occupiers. In the tenure forecast model offered here it has been assumed that the proportion of elderly people being housed in this way will remain relatively stable. The 2013 Census reports that around 42,000 or 6.7% of the over 65's population lived as a non-owner in an owner-occupied dwelling (see Figure 3.4). This proportion is carried forward into the forecast scenarios offered here. A higher rate of elderly people living in owner-occupied dwellings is possible if policies and conditions supporting ownership improve quickly. However, even if this proportion increased significantly, it would not have a major impact on the likely demand for rental accommodation for older people[30].

Figure 4.10 reports forecasts of possible demand for private sector rental accommodation between 2015 and 2030. This demand is from individuals and, depending on the living arrangements of those concerned, the number of private rental dwellings actually occupied will be a great deal less than these forecasts[31]. The forecasts offered in Figure 4.10 are however still useful, in part because they indicate the quantum of demand for some form of rental accommodation from older people over the next 15 years. This quantum is significant both in terms of the numbers of people involved and the extent of the additional income assistance they will require from the State.

The most pessimistic scenario considered in the tenure forecast model suggests that the numbers of people aged over 65 and living in private rented accommodation will increase by more than 240% and by more than 190,000 people. The optimistic scenario considered here suggests that this growth could only be around 110% and be about 80,000 people.

Figure 4.10: Forecasts of future demand for private rental accommodation from over 65's



These forecasts of demand for private rental accommodation are based on two important assumptions around the level of provision of state and other social housing, and the allocation rules for access to aged residential care for the frail elderly. These assumptions are considered in more detail in the following sections.

SOCIAL HOUSING PROVISION

The forecasts offered here are based on assumptions that the number of state and other social housing units will not increase during the forecast period, although the numbers of tenants within Housing New Zealand's stock who are aged over 65 will grow – simply through the aging process. The age structure of Housing New Zealand's tenants is reported in Appendix 4. By applying aggregate life expectancy estimates to this population it is possible to estimate the numbers of people living in state houses who will eventually be aged older than 65[32]. Such estimates presume a fairly stable tenant population and that all of the current tenants aged between 45 and 64 will remain as tenants for as long as they can live independently. Such a presumption does not seem unreasonable given both the lack of alternative housing for most of these tenants and the very low likelihood that Government policy will change to evict them. The Government's recent move to take away state tenants' tenure protection does however mean that the security of tenure of older tenants is by no means guaranteed.

This aging in place of Housing New Zealand tenants will mean that the number of tenants aged over 65 will increase by around 1000 per year for most of the forecast period. By 2030 there are expected to be 28,000 state tenants aged over 65 compared with around 14,000 today. No assumptions for increasing numbers of over 65's in council housing have been made because most of the housing units covered by this assessment are already preferentially allocated to people in this age group.

FUTURE DEMAND FOR RESIDENTIAL CARE

Within these tenure forecasts an underlying assumption has been made that the proportion of the over 65's population who need residential care such as that provided in rest homes and geriatric hospitals will remain stable and at present levels. Estimates of these present levels are offered in Table 3.4. These figures report that in 2013 2.5% of the population aged 65 to 84 years old were living in some form of residential care institution while 23.6% of those aged over 85 were.

Table 4.11 provides forecasts of the numbers of elderly people who may require residential care at any one time during the forecast period of 2015 to 2030. These forecasts are based on an assumed care rate of 2.5% of the 65 to 84 year old population and 23% of the over 85 population. A far more comprehensive forecast of future demand for aged residential care was provided by Grant Thornton in 2010 who offered forecast figures compatible with those reported for 2025 in Table 4.11[33].

It is possible that these care rates may decline, perhaps with stricter access rules or through improving longevity, reduced morbidity and better models of care. However, sooner or later people will need more intensive care as they reach the end of their lives and it seems unlikely that care rates will decline significantly over a longer period such as 15 years.

The rapid growth in demand for residential care is apparent during the period 2025 to 2030 in Table 4.11 and as the population of over 85's begins to grow rapidly[34]. Over this five year period it is reasonable to expect an additional 2000 people per year to require residential care – this is the equivalent of opening a new 100 bed rest home every two and a half weeks.

Table 4.11: Forecasts of demand for residential care by over 65's – 2015 to 2030

	2015	2020	2025	2030
Population aged 65-84	594,900	710,400	835,300	947,500
Proportion in institutional care	2.5%	2.5%	2.5%	2.5%
Numbers 65-84 in institutional care	14,900	17,800	20,900	23,700
Population aged over 85	80,300	93,600	112,800	146,900
Proportion in institutional care	23%	23%	23%	23%
Numbers over 85 in institutional care	18,500	21,500	25,900	33,800
Total number in institutional care	**33,400**	**39,300**	**46,800**	**57,500**

CONCLUSIONS AND IMPLICATIONS

Although the forecasts offered are more in the nature of scenarios than predictions, they nevertheless offer some inescapable conclusions around what the future holds for the housing options faced by tens of thousands of individuals from the baby boomer generation. It is already the case that rates of home ownership have declined in a structural way – that younger people have substantially less chance of owning their own home than people their age did a generation earlier. This decline applies as much to younger baby boomers as it does to members of Generation X which is following them. This decline will mean that more and more people will reach retirement without the security and imputed incomes which come about through home ownership and lower housing costs.

The adequacy of current retirement income entitlements to meet the housing and living costs of this growing group of older tenants is already being tested. Evidence of this pressure is available in the rising proportion of those people receiving the Accommodation Supplement who are also receiving New Zealand Superannuation. The forecasts offered here suggest that this current demand for supplementary income is a tip of an iceberg – this demand will grow as younger baby boomer cohorts reach retirement age. Meeting such a demand is the challenge considered in the final chapter.

CHAPTER 5: THE GEOGRAPHY OF AGING

This chapter considers clear evidence that older people are migrating to regions with less expensive housing and it seems likely that this trend will continue, especially if regional differences in house prices widen further or are at least maintained. Given the sheer volume of people reaching retirement age over the next 15 years it is possible also that the total numbers of older people migrating into less expensive towns and cities will rise, perhaps to the point of putting pressure on housing markets in these communities.

This chapter considers these pressures and the scope for smaller and slower growing regions to cater for retiring baby boomers. Initially the chapter considers the current regional distribution of the older population of New Zealanders and the impact which recent migration has had on this distribution. The chapter looks more closely at some of the inter-regional migration trends of older people and then uses this analysis to speculate on how such trends might play out over the next 10 to 15 years.

THE AGE STRUCTURE OF REGIONAL POPULATIONS

There is significant variability in the age structures of New Zealand's regions and some regions are aging much faster than others. These features are evident in Table 5.1 which reports data on the numbers of people aged over 65 years old in each of the regions as well as the proportion of regional populations over this age. This data is offered from estimates in 2006 and 2015 so shows the extent to which each region is aging. In addition to these estimates, data on the median age of each region's population is offered.

Table 5.1 indicates that regions such as Northland, Tasman and Marlborough are not only much older than the New Zealand-wide population, but have aged much quicker over the past five or ten years. Northland, for example, had a median age of 42.2 years in 2015 compared with the national median age of 37.3 years. Over the nine year period from 2006 to 2015 Northland median age increased by 3.4 years – the equivalent of around four and half months each year. Over the same nine year period the median age of the New Zealand population extended by 2.5 years, or by two months every year.

Against such rapid aging, urban regions and especially Auckland, are both younger and aging at a slower pace. In 2015 the median age of Auckland's population was 34.4 years and over the preceding nine years the region's population had aged by just 0.7 years, or less than one month per year.

Table 5.1: The age structure of regional populations – 2006 to 2015

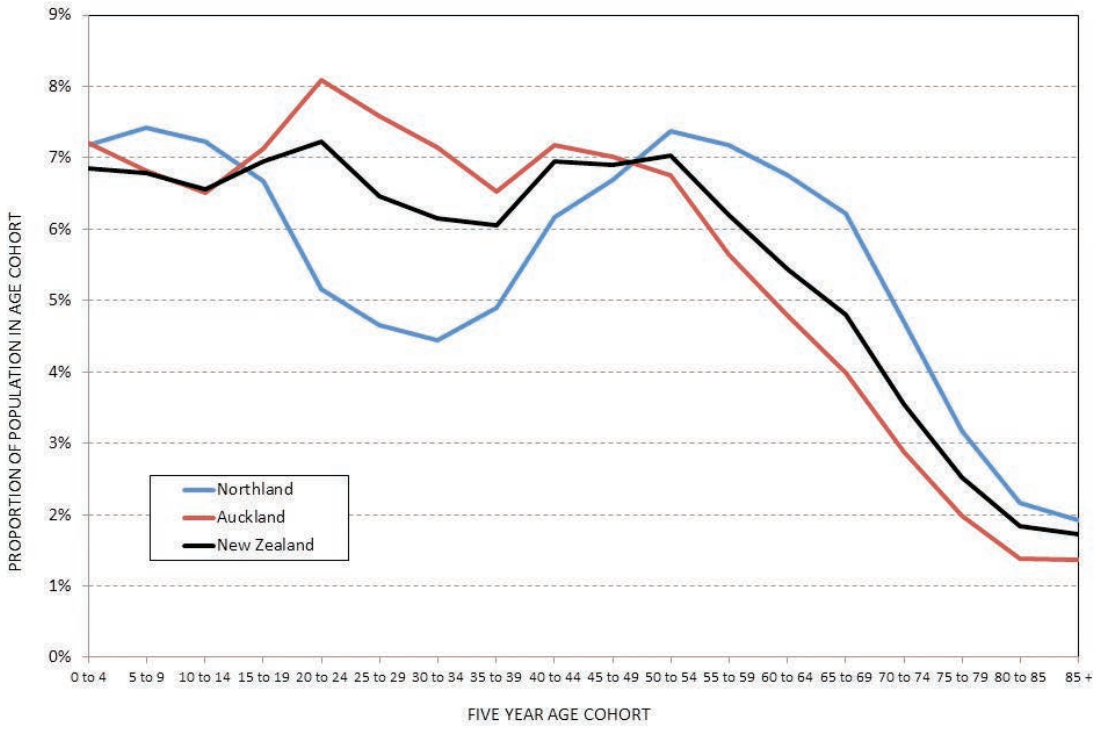
	Population aged over 65		Proportion of population aged over 65		Median age	
	2006	2015	2006	2015	2006	2015
Northland	22,100	31,700	14.5%	18.8%	38.8	42.2
Auckland	134,000	184,300	9.8%	11.7%	33.7	34.4
Waikato	48,900	67,000	12.4%	15.3%	35.5	37.2
Bay of Plenty	39,200	52,300	14.8%	18.2%	37.7	40.7
Gisborne	5,500	6,800	12.0%	14.3%	34.6	36.2
Hawkes Bay	21,000	28,200	13.8%	17.6%	37.5	40.6
Taranaki	15,900	19,400	14.8%	16.8%	37.9	39.8
Manawatu-Wanganui	32,500	40,300	14.2%	17.2%	36.6	39.0
Wellington	53,100	68,800	11.4%	13.8%	35.3	37.3
Tasman	6,200	9,700	13.5%	19.6%	40.3	45.2
Nelson	6,400	9,200	14.4%	18.4%	39.4	42.8
Marlborough	7,100	9,800	16.3%	21.6%	41.7	45.4
West Coast	4,500	5,700	14.0%	17.4%	40.3	43.4
Canterbury	74,700	90,800	13.8%	15.5%	37.6	38.9
Otago	27,500	34,700	13.8%	16.1%	36.8	38.6
Southland	13,000	15,600	13.9%	16.0%	38.0	39.4
New Zealand	**511,600**	**674,400**	**12.2%**	**14.7%**	**35.8**	**37.3**

One reason major for these wide disparities, both in the existing age structures and in the pace at which different regions are aging is migration. This is apparent in the data presented in Figure 5.1, which compares the five year age cohort data of Auckland and Northland regions.

Figure 5.1 reports the age structure of Auckland's and Northland's populations as a share which each five year cohort makes up of the local population. These structures are also compared with the New Zealand-wide age structure. Two features are easily apparent from the results offered in Figure 5.1. The first is the wide difference in the share of the populations contributed by people of younger working age - those aged 15 to 45. At the extreme end the difference between Northland and Auckland is in the local populations made up of people aged between 15 and 24 years. This difference disappears around age 45 when the second difference emerges – that of a much higher proportion of Northland's population made up of people aged over 60 than for Auckland's population.

The comparison offered in Figure 5.1 illustrates an exceptional case of the impacts of inter-regional migration on the age structures of regional populations. The exceptional nature of these differences is caused by the close proximity of the regions and by the large relative differences in the sizes of the populations – in 2015 Northland's population was estimated at 168,000 people while Auckland's was over 1.52 million people.

Figure 5.1: A comparison of the age structure of Northland and Auckland - 2014



INTER-REGIONAL MIGRATION OF OLDER PEOPLE

New Zealanders appear quite mobile and tend to shift homes frequently although this mobility is clearly related to age and housing tenure. In the 2013 Census only half those responding reported that they lived in the same house in which they lived five years previously. Two thirds of those who said they had shifted reported moving within the then current region of their residence, while one third (17% of the total population) reported moving between regions. This level of mobility being the case, the level of residential mobility of older people should not be seen as exceptional by New Zealand standards. In fact, older people tend to be more settled than younger people as we might expect, especially given the high levels of mobility of younger adults as they shift for higher education and work.

Table 5.2 reports some of the inter-regional migration patterns of New Zealanders aged over 60 years old. This table records the proportion of the over 60's population in each region which has shifted into that region over the five years preceding the 2013 Census. As well Table 5.2 reports the share of each region's inward migration which is made up of people aged over 60 years old.

Table 5.2 confirms some commonly observed patterns of internal migration in New Zealand. This common observation is that older people tend to migrate from the cities to sunnier warmer climates such as those offered in Northland, Bay of Plenty and the northern part of the South Island in the Nelson, Tasman and Marlborough regions. This pattern is observed by the larger than average proportion of the inward migrating population in these sunnier warmers regions which is made up of older people.

Table 5.2: Older peoples' inter-regional migration - 2006 to 2013[35]

Region	Population aged 60+	Share of 60-64's shifting in	Share of 65-69's shifting in	Share of 70+ shifting in	Share of shifting population 60+
Northland	38,229	15.2%	14.0%	8.3%	22.4%
Auckland	231,363	8.5%	7.3%	5.4%	8.5%
Waikato	81,930	12.0%	12.1%	8.0%	14.3%
Bay of Plenty	62,823	13.6%	14.2%	8.5%	18.2%
Gisborne	8,658	8.8%	7.6%	4.5%	10.9%
Hawkes Bay	34,950	9.1%	9.4%	6.4%	15.7%
Taranaki	24,279	8.6%	7.5%	3.7%	11.4%
Manawatu-Wanganui	50,079	9.0%	10.1%	6.2%	13.6%
Wellington	86,640	6.8%	6.6%	4.5%	7.3%
Nelson	11,055	18.1%	18.8%	15.0%	18.1%
Tasman	11,907	19.2%	17.0%	14.1%	21.2%
Marlborough	12,111	14.3%	13.8%	10.2%	20.0%
West Coast	7,287	12.9%	8.2%	4.9%	11.5%
Canterbury	115,311	6.7%	5.8%	3.3%	8.6%
Otago	43,530	9.6%	9.2%	5.2%	8.5%
Southland	19,926	6.9%	6.8%	4.2%	10.2%
Total New Zealand	**840,195**	**9.5%**	**9.0%**	**6.0%**	**11.2%**

Table 5.2 of course only records inward migration and says nothing about where people migrate from or what the net overall migration patterns of older people are. To a limited extent such patterns over the five years prior to the 2013 Census are reported in Table 5.3 This table offers summary results of inter-regional migrations between the three urban regions and the remainder of the country. Table 5.3 is probably most notable for the small numbers it reports. Total migrations flows are of course much larger than these numbers. Of those people aged 60 and over who in the 2013 Census reported their place of residence five years earlier, 11% or around 58,000 people reported moving between regions. The net migration flows reported in Table 5.3 give some indication of the extent to which this migration is not simply from the cities to sunnier warmer areas although there is a modest net flow along these lines. For example while there was a net migration of 600 older people from Auckland to Northland (reported as -600 in Table 5.3) this net figure was the result of almost 1200 people aged 60 and over moving northwards, while 600 similar aged people moved to Auckland.

Table 5.3: Net inter-regional migration flows for 60+ age group – 2008 to 2013

	Region departing from		
	Auckland	**Wellington**	**Canterbury**
Northland	-600	-66	-69
Auckland	NA	-252	-231
Waikato	-753	-132	-213
Bay of Plenty	-306	-195	-198
Rest of North Island	51	-672	-213
Top of South Island	-75	-132	-789
Rest of South Island	-90	120	-228
All New Zealand	**-1,773**	**-1,329**	**-1,971**

ACCELERATING CHANGE

More recent estimates from Statistics New Zealand suggest that this somewhat muted pattern of inter-regional migration is being replaced by more rapid change. Table 5.4 summarises Statistics New Zealand's 2015 sub-national population estimates and also includes estimates of population change since 2013. The proportion of any recent population growth which is made up of local growth in the over 65's population is estimated on the right hand column.

While growth in the over 65's population contributed just under one third (31%) of national population growth between 2013 and 2015, such growth contributed to more than two thirds of regional population growth in seven regions.

A noticeable feature of the 2015 sub-national estimates was the contribution which migration is expected to have made to population growth in most regions. For 2014 Statistics New Zealand estimated that New Zealand's population grew by 38,300 people through migration of which just over half or 19,600 moved into Auckland. For the year to 30 June 2015 Statistics New Zealand estimated that the country's population grew through migration by 58,300 of which half moved to Auckland while 29,200 people moved elsewhere[36]. Given the previously minimal impact which migration has had on most regional populations and the recent tapering off of migration into Canterbury, this additional migration is most likely having a discernable impact on some regional housing markets (see Table 6.1 below for an illustration of this impact).

These figures are however just estimates which can prove to be wrong[37] given the lack any official oversight around people moving between regions[38]. It does appear, from the age structure of these population changes that within the migration estimates is some allowance for additional mobility amongst older populations. This is especially so in the combined Marlborough-Nelson-Tasman region and the Gisborne-Hawkes Bay region where 100% of recent population growth can be attributed to growth in the over 65's population[39].

Table 5.4: Regional population change - 2013 to 2015[40]

	Population 2013	Population 2015	Change 2013-15	Growth in over 65's population 2013-15	Share of growth
Northland	164,700	168,300	3,600	2,800	78%
Auckland	1,493,200	1,570,500	77,300	14,500	19%
Waikato	424,600	439,200	14,600	5,400	37%
Bay of Plenty	279,700	287,100	7,400	4,100	55%
Gisborne	47,000	47,400	400	400	100%
Hawkes Bay	158,000	160,100	2,100	2,000	95%
Taranaki	113,600	115,800	2,200	1,200	55%
Manawatu-Wanganui	231,200	234,500	3,300	2,300	70%
Wellington	486,700	496,900	10,200	4,700	46%
Tasman	48,800	49,500	700	1,000	143%
Nelson	48,700	49,900	1,200	800	67%
Marlborough	44,700	45,300	600	700	117%
West Coast	33,000	32,700	-300	400	NA
Canterbury	562,900	586,500	23,600	5,000	21%
Otago	208,800	215,100	6,300	2,300	37%
Southland	96,000	97,300	1,300	700	54%
New Zealand total	**4,442,100**	**4,596,700**	**154,600**	**48,400**	**31%**

LOOKING FORWARD

The rapidly changing age structure of many of New Zealand's smaller and sometimes more remote regions should be of some concern to those responsible for planning social infrastructure including that of affordable housing. The necessity for some concern is on account of the quite significant and perhaps rapid change which could arise through retirement related migrations of the baby boomer generation. The rapid aging of Northland is an emerging example of this.

The extent and relative scale of changes brought about by retiring baby boomers is of some importance both because of the relative sizes of the populations and because of the different fortunes of regional housing markets. Table 5.3 illustrates a well-observed pattern of Aucklanders retiring to Northland, Bay of Plenty and Waikato; of Wellingtonians retiring into the lower North Island; and of Cantabrians retiring to the small regions at the top of the South Island. In all of these cases, but especially in Auckland, the relative size of the populations means that a modest change in outward migration patterns may have a much larger impact on the demand for housing and social services in the receiving region. For example, Auckland's baby boomer population is 1.9 times the population of Northland[41].

Any potential for modest shifts in migration patterns will be supported by the relative price differences in regional housing markets. These differences are reported in Appendix 5 for average rents and median sale prices in later 2015. Appendix 5 shows for example the differential between Auckland and Northland is 2.3 times for median house sale prices and 1.7 times for rents. While such ratios are merely indicative of the different housing costs people in each of these regions face these differences are of course quite tangible and are, and will, continue to act as a driver of migration, especially as people reach their retirement.

It seems most likely that markets will adjust to take account of these cost differences and of the migrations which these encourage or incentivise. Rents for example will begin to rise in Northland, Waikato and Bay of Plenty as people spill out of Auckland, either in search of cheaper housing in their retirement or of a better income-housing cost balance in their working lives. There is some evidence of this occurring already[42].

There are at least two quandaries with this adjustment process, however. The first is that there is a quickly reached new equilibrium where, for example, Auckland's population pressure and housing cost inflation spills out into neighbouring regions. The second quandary is around the local consequences of this adjustment process both for those living in these neighbouring regions and for those seeking a home there as a refuge from relatively high housing costs in Auckland, Wellington or Christchurch.

The sheer volume of baby boomers without the comfort of home ownership and living in expensive housing regions such as Auckland will quickly put pressure on the rental housing markets in surrounding regions. This is illustrated in the figures provided in Table 5.5.

For example, in 2013 almost 100,000 Aucklanders were from the baby boomer generation and did not own their homes[43]. At this time in neighbouring regions of Northland, Waikato and Bay of Plenty – the regions where retirement migration from Auckland is most common, there were only around 104,000 rented dwellings. Even if just 10% of these Auckland tenant baby boomers looked to rent out of Auckland and in these neighbouring regions there would be considerable pressure on the local rental housing stock. Rents would inevitably rise - causing hardship for existing local tenants and reducing the rent price differential and hence the incentive to shift in the first place. Similar relative imbalances exist between the numbers of tenant baby boomers in Wellington and Canterbury and the availability of rental housing in surrounding regions as shown in Table 5.5.

The eventual pattern of responses of tenant baby boomers to high rents and diminished and fixed incomes is difficult to predict with any confidence. The simple idea that retirees – tenants or owners, can move to regions with cheaper housing costs as a way of overcoming income deficits ignores the large numbers of people facing these pressures and the limited opportunities they have elsewhere to find cheaper housing. A more considered and comprehensive policy approach around housing is required if less wealthy baby boomers are to maintain even modest standards of living in their retirements. Such approaches are given some initial consideration in the following chapter.

Table 5.5: Regional tenure patterns in 2013

Region	Households' ownership rate	Number of rented dwellings	Tenure holders' ownership rate	Baby boomers not owning
Northland	66.2%	18,000	54.5%	11,000
Auckland	61.5%	168,700	43.4%	99,000
Waikato	62.7%	52,500	49.9%	26,000
Bay of Plenty	64.7%	33,500	52.7%	18,000
Gisborne	59.2%	6,000	46.1%	3,000
Hawkes Bay	65.9%	18,400	53.4%	10,000
Taranaki	68.0%	13,000	56.3%	6,000
Manawatu-Wanganui	65.2%	28,400	52.5%	14,000
Wellington	64.9%	58,500	50.1%	27,000
Tasman	75.0%	4,400	62.8%	2,000
Nelson	68.4%	6,600	56.1%	3,000
Marlborough	70.9%	4,900	60.5%	3,000
West Coast	68.1%	3,900	57.9%	2,000
Canterbury	68.3%	61,700	54.1%	31,000
Otago	68.0%	23,800	53.2%	10,000
Southland	69.7%	10,700	58.4%	4,000
New Zealand	**64.8%**	**512,000**	**49.8%**	**270,000**

CHAPTER 6: RESPONDING TO THE HOUSING NEEDS OF AN AGING POPULATION

There is a danger in the development of public policy and even in the way in which public discourse is created that the concerns and pre-occupations of those with power dominate and perhaps monopolise policy and discourse. This might certainly be true in the way in which there is a great deal more political commitment to maintaining income entitlements for older people than in addressing income deficits affecting children[44]. This might also be valid in the emphasis which is being given in publicly funded research to the future options of retiring home-owners while the options available to retiring tenants are ignored[45].

The danger here is that the questions of inequality amongst older people and the additional challenges being faced by poorer older people are ignored by a predominant focus on the interests and expectations of those in the middle or upper-middle classes. As Breheny, Stephens and Mansvelt remark in their discussion of inequalities in older age the 'experiences of aging that older people report represent the culmination of exposures and experiences over the life course and produce expected futures'[46].

This final chapter looks to address a potential imbalance in the policy focus and narrative around the housing needs of an aging population. It seeks to do this by ignoring such questions as downsizing amongst home-owners or the financial regulation of retirement villages and looks instead at the options available to the up to 250,000[47] baby boomers who may reach retirement age with little or no wealth.

This chapter considers possible responses to the housing needs of less wealthy baby boomers over the next 10 to 15 years. These responses fall into four types which are as follows:

- People working longer in order to afford housing;
- People shifting to regions with cheaper housing;
- Increasing financial support for retired people who face high relative housing costs;
- Improving the supply of affordable housing for older people.

WORKING LONGER TO AFFORD HOUSING

A likely individual response of those who are reaching retirement age without access to affordable housing is that they will continue to work. This might be in order to continue to afford to pay the rent or to repay the remainder of the mortgage before retirement.

Whatever the motivation there is some evidence that older people are choosing to remain in the workforce past the time when they receive New Zealand Superannuation and so have some alternative income to retire on. This trend of over 65's working longer along with the employment trends of younger age groups is reported in Figure 6.1 for the past ten years.

Figure 6.1 indicates that the employment rate amongst 65 to 69 year olds grew from around 28% of the age group in 2005 to 40% by 2011 and has since stayed at around this rate. Over the same period the employment rate of 60 to 64 year olds expanded from approximately 60% in 2005 to 70% in 2015. The employment rates of 55 to 59 year olds and 50 to 54 year olds has hovered around 80% to 85% for most of the last decade, although there are signs of a fall-off in this rate over the past year or so.

There is not a great deal of evidence available on older people's motivations to remain in work although the research that is available suggests quite expected reasons. These include job satisfaction, organisational commitment, peer and social support and simply needing money. A significant factor influencing people's retirement decision is their health[48].

Figure 6.1: Employment rates of 50 to 69 year olds – 2005 to 2015

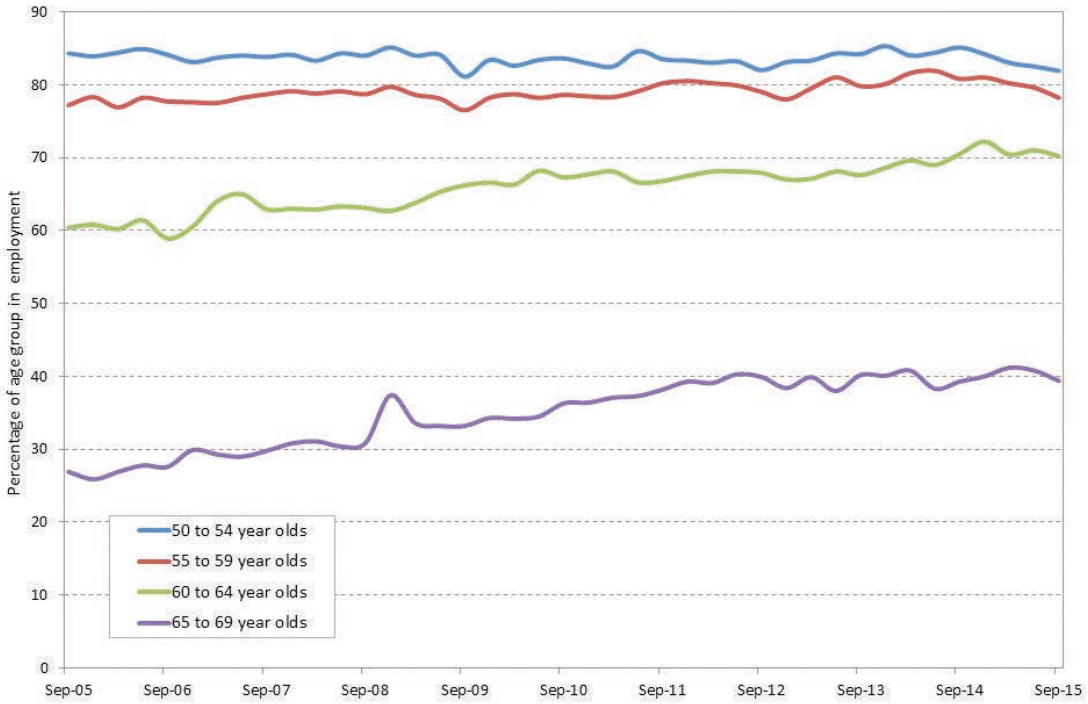


Figure 6.1 does, however, indicate that the idea of the majority of older people working much past the nominal retirement age is incorrect. While labour force participation amongst those in their 50's is high, this participation falls rapidly as people enter their 60's and most people are retired by the time they are 70. This trend is indicated by Figure 6.1 although it is just a snapshot which really captures the labour force participation rates of different age groups at a certain point of time[49]. This profile can of course change quickly with changing economic circumstances as we saw with a rapid decline in participation rates amongst younger workers following the global financial crisis of 2007 and 2008. A recently released report by the Office of Senior Citizens does however report that not only is New Zealand's rate of labour force participation by people 65 and older amongst the highest in the OECD, but that Treasury forecasts suggest that this rate could rise to 31% by 2026[50].

Table 6.1 provides a useful indication of the employment fortunes of the oldest baby boomers - those born between 1946 and 1950. This table is based on data taken from Statistics New Zealand's Household Labour Force Survey over a 20 year period and considers what has happened to the numbers of people in work and not in work in this age cohort[51]. This data is of course overlaid by the bigger picture of what is happening to overall employment and this picture is offered here in data on the overall unemployment

rate in each of the periods covered in this analysis. Regardless of the background factors in each of these periods, the numbers still provide a clear indication of what has happened to some people within this cohort prior to them reaching 65. The number of people in work in this cohort shrunk by over 41,000 between 1995 and 2010. This decline was due to around 36,000 people dropping out of the labour force and further 5,000 people presumably dying or migrating. This decline in employment represents around 16% or one in six people of the people in this cohort and 25% of the people in this cohort who were working in 1995.

Table 6.1: Employment fortunes of the cohort born between 1946 and 1950

Year	Age at the time	Number employed in the labour force	Number unemployed	Number out of labour force	Labour force participation rate	All ages unemployment rate
1995	45 to 49	194,500	9,000	34,000	86%	6.8%
2000	50 to 54	185,000	8,000	43,000	82%	6.3%
2005	55 to 59	180,000	4,000	49,000	79%	3.8%
2010	60 to 64	153,000	5,000	70,000	69%	6.6%
2015	65 to 69	89,500	2,000	131,000	41%	5.9%

The evidence is clear that not every baby boomer will enjoy an extended working life and so be able to work longer if they need to find extra money to pay for housing. The stereotype of the motivated, skilled and presumably wise older person continuing to work beyond their 65th birthday, and hence being both prosperous and fulfilled, needs to be challenged. While such a future might be relevant for academics, managers and those who create public policy, this future is not representative of all older people and especially of poorer older people who are most likely to be struggling with housing costs.

However, there appears to be little information about who is leaving the work force in late middle age and why they are doing so. Presumably health is an important reason for such exits, although another important reason could be redundancy and an inability to find another job given a person's age and skill set[52].

There is a distinct and unequivocal social gradient around health in New Zealand and this gradient applies into later middle age and early old age just as it does in childhood. This means of course that poorer older people are likely to die earlier and to suffer from debilitating diseases and illnesses at a younger age. Carter, Blakely and Soeberg (2010) offer clear evidence of differences in life expectancies between high and low income groups and between Maori and non-Maori for the period 1980 to 2000[53]. As well between 1981 and 2001 these gaps widened even after allowing for smoking[54]. Holmes et al. (2011) have studied mortality patterns with respect to occupation for the period 2001 to 2005 and they also identify a clear social gradient. This gradient suggests that males working in manual occupations such as trades and machine operation have twice the chance of dying from an illness or disease before reaching 65 than a professional or managerial worker[55]. The New Zealand Health Survey offers compelling evidence of the social gradient with the incidence of common diseases and medical conditions amongst adults. Appendix 6 reports the relative prevalence of ten common diseases/conditions between the most deprived and least deprived neighbourhoods and for males and female. In all but one instance people

living in the most deprived areas have a higher incidence than those living in the most well-off area. On average adults living in the poorest quintile of neighbourhoods are 66% more likely to suffer from these diseases and conditions than those living in the wealthiest quintile[56].

Although there has been a trend for an increasing proportion of people to work beyond the nominal retirement age of 65, this trend has tapered off since 2012 and appears to have stabilised at around 40% of the population aged between 65 and 69 years old. Clearly the majority of older people finish their paid employment before or around their 65th birthday. Thus making claims that people can work longer in order to afford their housing seem a little flimsy. Although there is no direct evidence to suggest that the poorest in the 55 to 64 age group are retiring first, there is indirect evidence from mortality and morbidity data to suggest that this is likely to be the case.

It appears that 'the work longer to pay for your housing strategy' will be an exceptional rather than common approach and on any account this approach does not address the housing costs problems of tenants because sooner or later they will need to retire.

SHIFTING TO CHEAPER REGIONS

The previous chapter considered recent inter-regional migration patterns of older people and to some extent the capacity for such flows into the future. At least four trends are apparent from this analysis.

Firstly, shifting by older people is not uncommon – between 2008 and 2013 (10%) of people aged over 60 shifted between regions (See Table 5.2).

Secondly, at least during the period 2008 to 2013 much of this migration was a type of churn, with much of any migration into a region being offset by migration out of it. The net migration reported in Table 5.3 is quite minor.

Thirdly, things may have sped up since 2013, perhaps in response to greater numbers of people reaching retirement age and because of rising property values in Auckland and Christchurch. Table 5.4 reports that over the period 2013 to 2015 growth in the over 65's population made up half the population growth in nine of New Zealand's 16 regions. Migration of the older population is now having a significant impact (in relative terms) on the population growth in many smaller regions.

Finally, the potential and impact for spill-over demand from the larger urban regions, and especially Auckland and Wellington should not be overlooked. This is the case whether or not this demand is from home owners or tenants. For example there could be almost 100,000 baby boomer tenants living in Auckland (see Table 5.5) while there are probably only 105,000 rental properties in the surrounding regions of Northland, Waikato and Bay of Plenty. Just 10% of these Auckland tenants looking to shift out of Auckland and into these regions will have a significant impact on local rental housing markets. In addition there are a further 200,000 Auckland baby boomer owner-occupiers who may also be looking to cash up and leave Auckland for these regions.

It remains to be seen if recent higher rates of migration of older people to towns and smaller cities continue. Two things seem likely if they do. The first is that property prices will rise – be these as sale prices or rents. The second is that construction of new dwellings may take place especially when house prices begin to exceed construction and land costs. At some point, however, these increases and

this investment will taper off as the price differences and other locational factors balance out. The consequence of such trends is that house prices and rents rise for everyone including those people already living in regions with cheaper housing markets.

Table 6.2 reports some of the changes in regional rents and populations over the past five years. This table reports average rent increases (in nominal terms) over the four years - 2010 to 2014, alongside average annual population increases for the same period. These increases are compared with increases in rents and population over the most recent year[57]. While the comparisons offered here are a little mixed, there does appear to be a pattern of stronger rent and population growth in the northern part of the North Island and in Otago. As shown on Table 5.4 much of this stronger population growth appears to be on account of recent increases in levels of migration amongst older people.

Table 6.2: Recent changes in regional rents and population – 2010 to 2015[58]

	Average annual change 2010-14		Annual change 2015	
	Rents	Population	Rents	Population
Northland	1.3%	0.8%	4.9%	1.4%
Auckland	4.4%	1.5%	5.7%	2.9%
Waikato	2.1%	1.1%	3.8%	1.9%
Bay of Plenty	2.2%	0.6%	5.6%	1.7%
Gisborne	1.9%	0.2%	0.7%	0.6%
Hawkes Bay	1.4%	0.4%	1.2%	0.8%
Taranaki	2.2%	0.9%	2.6%	0.9%
Manawatu-Wanganui	2.0%	0.2%	3.4%	0.9%
Wellington	2.0%	0.6%	3.5%	1.1%
Marlborough	0.7%	0.1%	3.7%	1.1%
Nelson	1.8%	1.5%	2.2%	1.2%
Tasman	2.1%	0.9%	4.3%	0.8%
West Coast	1.1%	0.0%	-2.4%	-0.3%
Canterbury	9.1%	0.3%	1.2%	2.1%
Otago	3.2%	0.9%	6.0%	1.7%
Southland	1.8%	0.5%	3.1%	0.8%
New Zealand	**3.7%**	**0.9%**	**4.4%**	**1.9%**

Clearly more extensive and longer–term data is required in order to determine a more reliable relationship between migration of older people and local housing market impacts. Intuitively we could expect the type of trends which are indicated in Tables 5.4 and 6.2. Further shifts of this nature most likely will occur over the next 10 to 15 years.

However the shift of older people into cheaper housing, either to smaller dwellings within a region or to cheaper regions, pre-supposes that there is the housing stock of the type and size which they need. This assumption might be hopeful especially given the numbers of baby boomers who will be looking to downsize or migrate and that more than three quarters of the national housing stock has three or more bedrooms[59]. An emerging problem around the inadequacy of the existing housing stock for older people has been identified in Australia as well[60].

Price increases on account of increasing demand will at some point trigger new construction. The particular market catered for by any new construction will depend on a combination of risk and yields and the value of building sites. If demand for smaller dwellings to suit older people becomes the dominant demand in many regional markets, the risks of catering for such demand is lower so there may be a movement toward this demand providing the yields are comparable with other types of development.

It seems likely that a modest dwelling suitable for accommodating a single or couple of older people will cost in the order of $150,000 to $190,000 to construct and with land costs would sell for $250,000 to $350,000 depending on the relationship between land costs and total costs[61]. Such costs are comparable with the median sale price in most regions as indicated in Appendix 5 so it is unlikely that the locational advantage of cheaper housing in some regions will be sustained once the pool of lower-cost housing is taken up by migrating baby boomers.

There is some potential for wealthy retiring Aucklanders to leave Auckland and to occupy baches and holiday homes which they own in areas around Auckland such as Thames-Coromandel. Similar opportunities exist in Northland and western Bay of Plenty for Aucklanders; in Kapiti Coast for Wellingtonians; and Nelson-Tasman-Marlborough for Cantabrians. These opportunities are not huge, however. As evidence of this limited potential a summary of the number of occupied and unoccupied dwellings for these areas is offered in Appendix 7.

At the time of the 2013 Census just half the identified dwellings in Thames-Coromandel were occupied with 12,000 dwellings being identified as un-occupied. A small number of other local authority areas also have relatively high proportions of un-occupied dwellings which presumably include empty holiday homes. These include Kaipara District (27%), Far North District (20%) and Western Bay of Plenty (16%). The total number of un-occupied dwellings in these three districts amount to just under 12,000. It seems unlikely that even if all empty holiday homes in districts around Auckland were occupied by migrating baby boomers that this housing stock could cater for more than 10% of Auckland's baby boomer population. The potential around Wellington and in Nelson-Tasman-Marlborough for Cantabrians appears less than this 5%[62].

It seems likely that future housing demand will be strongest in the northern half of the North Island and in particular in and around Auckland, Hamilton and Tauranga. The differences in housing costs between these high demand areas and other regions will remain and this differential will act as a driver for inter-regional migration – especially of people who are retired or not otherwise engaged in the labour market. However there are some practical constraints to such migration – not the least of which is the limited supply of affordable and smaller dwellings in regions with lower property values. This could especially be so in rental markets in smaller cities and regional towns. A further practical limitation is the cost of

building purpose-built housing for older residents – whether these are in high demand or low demand housing markets. While land costs in low demand areas may be cheaper, it is generally the case that construction costs and infrastructure costs are similar in most parts of New Zealand[63]. It is also feasible to build at scale in larger cities and so overcome some of the higher land costs. While it is feasible and perhaps even desirable to build purpose-built housing for older people outside of areas of high housing demand, the resulting housing is unlikely to be significantly cheaper. The question then becomes one of how retired baby boomers with little or no wealth might afford such housing regardless of where it is?

PROVIDING FINANCIAL ASSISTANCE

Table 3.5 reports the increasing numbers of people who receive both the Accommodation Supplement and New Zealand Superannuation. Over the five years to 30 June 2015 the numbers of such people grew by 9,000 individuals while the numbers of people receiving Superannuation grew by 126,600[64]. Seen from a slightly different perspective the equivalent of 7% of those signing up for New Zealand Superannuation for the first time also received the Accommodation Supplement.

The numbers of people receiving both the Accommodation Supplement and Superannuation may double over the next ten years to around 70,000 people. The precise number depends mainly on how many private sector tenants will be within the ranks of the additional 270,000 to 275,000 people expected to be aged over 65 in 2025. As suggested in Chapter 4 home ownership rates amongst the over 65's may fall from the present rate of 73% to between 70% and 59% depending on which scenario is adopted. This suggests that the number of people aged over 65 and renting in the private sector could grow from around 75,000 to 80,000 presently to between 110,000 to 190,000 by 2025 (see Figure 4.10). The estimate of 70,000 people receiving the Accommodation Supplement by 2025 is based on the medium scenario around home ownership rates and an assumption that the proportion of over 65 year old tenants receiving the Supplement remains unchanged over the next decade. Given these assumptions the 70,000 estimate could be seen as a conservative forecast - it could be significantly higher.

Whether the number of people receiving both the Accommodation Supplement and Superannuation is 70,000 or 100,000 individuals by 2025, the key policy question is not affordability but adequacy. Since 2007 successive governments, through a policy of quiet neglect, have allowed the value of the Accommodation Supplement to run down, often in the face of rising rents. This neglect now poses risks to the living standards of those who rely on the Supplement.

This has been achieved simply by not indexing the maximum payments available to recipients against rent increases. The present maximum payments were set in 2007 and were then based on 2005 median rent values. On two occasions, in 2008 and 2010, advice was offered to the incumbent Ministers of Social Development on options for updating these maximums and the advice was rejected in the interests of budget savings[65]. The result has been twofold: the value of the subsidy offered has declined in relation to rents; and the numbers of recipients who have reached the maximum payments have increased. In central Auckland the value of the maximum weekly payment of $225 has gone from 95% of a typical rent in 1995 to 49% in 2015, while in Christchurch the maximum weekly payment is now worth just 32% of a typical rent - it was worth 75% in 1995[66]. In June 2007 32% of tenants receiving the Accommodation Supplement received the maximum payment available to them and by June 2015 this ratio had risen to 54%[67].

The present situation is one where the value the Accommodation Supplement is gradually being eroded away by inflation, while the numbers of older people relying on the Supplement in order to afford their housing costs increases. The adequacy of the Supplement to meet regular and expected living costs of superannuants, as well as those receiving working age benefits, needs to be examined with some urgency. This is especially so in Auckland and Canterbury were nominal rents have risen over the past five years by around 24% and 35% respectively[68].

The opportunity, however, exists for a more fundamental review of how housing assistance is offered to low income households and individuals. Rather than simply up-dating the maximums available under policy settings which are now 10 years old, there may be more value in reviewing the whole housing subsidies regime. Such a review may ensure that peoples' living standards are adequately secured against rising rents and other housing costs.

IMPROVING THE SUPPLY OF AFFORDABLE HOUSING FOR OLDER PEOPLE

The Accommodation Supplement is a demand subsidy which relies on two circumstances to hold if an adequate and affordable housing outcome is to be achieved for the person or household it is aimed at. Firstly there has to be a suitable house to rent or buy and secondly the person eligible to receive the subsidy still needs to have the entitlements to gain access to the housing. The Accommodation Supplement is in many ways a notional entitlement which exists on paper only until the questions of availability (the house exists) and access (the house is mine) are resolved. It is possible for example for the entitlement to a housing subsidy to still leave someone homeless when there are no suitable houses available or when the person does not have the other resources (such as additional income or a good credit rating) required to gain legal access to a dwelling.

The alternative to a reliance on demand subsidies is that of some form of supply response – be this as the direct supply of housing by a public agency or supply subsidies to third parties to build and perhaps own the required housing. The most obvious form of a supply response is the provision and operation of state owned or council owned housing, although other responses such as through a more general social housing programme through not-for-profit or for-profit providers is also possible.

The direct provision of housing by a state agency or local authority provides a number of advantages especially when specific forms of housing are required which may not always be provided adequately by the market. One of these advantages is around being able to cater for sub-optimal markets or niches which are not as lucrative or commercially attractive as other housing types or forms of investment. Particularly in times of buoyant markets, it is sometimes the case that some housing forms or sub-markets are not as attractive as others either because of the people being catered for or the type of housing they require. People on low or modest incomes or with specific housing needs often fall into these margins of the housing market. As a consequence of their marginality their needs are overlooked by a market which is often interested in standardised, volume based housing offerings which are easy to replicate and to sell.

The housing needs of low and modest income older people often fall into the margins of the housing market. This is in part because meeting their needs is not particularly profitable, especially against what appear to be far more lucrative investments in retirement complexes and lifestyle villages which are

aimed at wealthier retirees. This marginality is often also as a result of the messiness of being involved in meeting or at least partially catering for the social needs of those being housed. This is especially so as a person ages; their independence diminishes and they have few resources to fund their care personally. A compensating factor is that landlords prefer older tenants[69].

The prospect of needing to offer housing support to tens of thousands of older people with few resources and limited income outside of New Zealand Superannuation should be sufficient to focus public policy on how best to meet these needs. While it is possible that the private market may provide appropriate and secure rental accommodation for this group of people, the prospect of this occurring without some level of Government support and direction appears remote. This suggests that not only are current levels of support offered to individuals through the Accommodation Supplement essential but that additional assistance may be necessary. Such assistance could be in the form of a supply subsidy - such as was offered to local government prior to 1991, or through a demand subsidy - such as a revamped Accommodation Supplement.

The efforts of local government in providing housing assistance to around 9000 older people are being ignored as a policy question and a programme opportunity. This indifference is limiting the potential and indeed the ambition of local councils to offer more and better housing opportunities to older people in their communities. In the case of Hamilton City Council this indifference may have contributed to its decision to sell down their stock of housing for older people. Other Councils such as Wellington City Council and Auckland Council are looking to contract out their housing operations, perhaps as a way of reducing financial risk and social accountability.

The unwillingness of Government to include local authorities as approved social housing providers which are eligible to receive income related rent subsidies is a clear example of cost saving. This move has had little or no regard for the growing demand for affordable rental accommodation by retiring baby boomers.

The Government's present attempts to shift responsibility for the provision of social housing to non governmental organisations has identified the need for more smaller one and two bedroom dwellings to cater for smaller households and an aging population[70]. Such a shift in the focus of what type of housing to provide is worthwhile and overdue. However, given that there is in effect a ceiling to how many units might be provided through income related rent subsidies, the housing needs of an aging population appear to be part of a trade off with the housing needs of younger households. Clearly a broader or at least a more explicit vision of who social housing serves is required in order to avoid such a trade-off.

POLICY RECOMMENDATIONS:

The following policy recommendations are offered to the Government as a means of addressing the housing needs of low and modest income older New Zealanders:

1. That the Accommodation Supplement be reviewed as a matter of urgency with a view to addressing historic shortcomings in the level of assistance provided and to better meet the income and housing needs of low and modest income older people;
2. That Government extend income related rent subsidies to local authorities as a first step to local government taking a leadership role in the provision of rental housing for older people;
3. That Government engage local government in an initial debate to consider local housing markets and the need to cater for a migrating population of older people to regional cities and towns;
4. That a residential care strategy be prepared and backed with sufficient budgets to ensure adequate provision of aged care facilities over the next ten years;
5. That a programme of interventions be developed to limit the risk of those in late middle age and early old age becoming homeless for the first time due to financial hardship, relationship breakdown and health problems.

APPENDICES

Appendix 1: Various population tenure estimates - 2013

Age	45 to 49	50 to 54	55 to 59	60 to 64	65 to 69	Over 70	All ages
Tenure holders	301,635	299,997	260,184	233,163	196,020	411,012	3,376,419
Population in dwellings	296,307	294,405	254,691	227,073	188,604	371,529	4,127,475
Usually resident on Census night	301,635	299,994	260,187	233,163	196,018	411,012	4,242,048
Estimates usually resident - June-13	312,000	313,660	271,750	241,000	205,770	420,240	4,442,100

Appendix 2: Comparisons of men's and women's labour market positions[71]

Employment Rates – (YE Dec 2014)	Male	Female
15 to 24 years old	53.9	49.4
25 to 34 years old	87.8	69.0
35 to 44 years old	90.9	75.5
45 to 54 years old	91.8	79.6
55 to 64 years old	83.5	71.9
Over 65 years old	26.9	15.8
Total	**70.8**	**59.5**
Average ordinary time hourly wage (Sep-15)	$30.64	$26.58

Appendix 3: Survey of local authority housing 2015[72]

Council	Housing for over 65's	Tenants aged 65+
Ashburton District	112	121
Auckland	1,412	1,500
Buller District	0	0
Carterton District	38	38
Central Hawkes Bay District	48	55
Central Otago District	98	83
Chatham Islands	0	0
Christchurch City	907	907
Clutha District	98	67
Dunedin City	403	400
Far North	147	135
Gisborne District Council	120	120
Gore District	6	4
Grey District	118	125
Hamilton City	344	360
Hastings District	220	230
Hauraki District	57	58
Hawkes Bay District	48	55
Horowhenua District	115	125
Hurunui District	34	32
Hutt City	173	168
Invercargill City	215	155
Kaikoura District	16	17
Kaipara District	58	47
Kapiti Coast District	118	120
Kawerau District	0	0
Mackenzie District	0	0
Manawatu District	0	0
Malborough District	172	175
Masterton District	74	80
Matamata-Piako District	109	113
Napier City	375	303
Nelson City	142	150
New Plymouth District	140	138
Opotiki District	0	0

Council	Housing for over 65's	Tenants aged 65+
Otorohanga District	26	26
Palmerston North City	211	200
Porirua City	0	0
Queenstown-Lakes District	9	9
Rangitikei District	72	70
Rotorua District	152	150
Ruapehu District	65	38
Selwyn District	0	0
South Taranaki District	68	71
South Waikato District	79	75
South Wairarapa District	32	32
Southland District	0	0
Stratford District	10	10
Tararua Distrcit	92	86
Tasman District	101	106
Taupo District	57	57
Tauranga City	246	261
Thames-Coromandel District	0	0
Timaru District	236	142
Upper Hutt City	0	0
Waikato District	34	36
Waimakariri District	112	117
Waimate District	27	27
Waipa District	127	140
Wairoa District	32	32
Waitaki District	88	86
Waitomo District	20	20
Wanganui District	275	260
Wellington City	2,148	597
Western Bay of Plenty District	70	69
Westland District	56	61
Whakatane District	79	81
Whangarei District	165	165
Total	**10,606**	**8,905**

Appendix 4: Age distribution of Housing New Zealand tenants - 2014[73]

Age band of tenant	Number of Tenancies	% of all tenancies
0 to 24	2,276	3.3%
25 to 34	9,276	13.4%
35 to 44	13,173	19.0%
45 to 54	17,205	24.8%
55 to 64	13,167	19.0%
65+	14,317	20.6%
Unknown	1	0.01%
Total	**69,415**	

Appendix 5: Regional differences in housing market prices[74]

	Median house sale price	Mean rent for 3 bedroom house
Northland	338,000	308
Auckland	771,000	515
Waikato	390,000	318
Bay of Plenty	In Waikato	334
Gisborne	In Hawkes Bay	279
Hawkes Bay	279,000	309
Taranaki	322,000	322
Manawatu-Wanganui	240,000	261
Wellington	305,000	422
Marlborough	In Nelson	319
Nelson	370,000	371
Tasman	In Nelson	361
West Coast	In Canterbury	254
Canterbury	420,000	422
Otago	348,000	360
Southland	200,000	238
New Zealand	**485,000**	**395**

Appendix 6: Relative incidence of disease/medical conditions by economic deprivation

Ratio of incidence in most deprived quintile to incidence in least deprived quintile

	Men	Women
High blood pressure	1.24	1.50
High cholesterol	0.99	1.64
Ischaemic heart disease	1.14	2.43
Stroke	2.57	3.42
Mental health	1.45	1.35
Psychiatric distress	1.59	1.80
Diabetes	1.28	2.52
Asthma	1.51	1.41
Arthritis	1.03	1.33
Chronic pain	1.43	1.57

SOURCE: New Zealand Health Survey 2013/13 – Results for adults – Part 2 Health Conditions

Appendix 7: Occupied & unoccupied dwellings for selected districts - 2013

	Occupied dwellings	Un-occupied dwellings	% of all dwellings unoccupied
Far North District	21,774	5,661	20%
Whangarei District	30,039	5,139	15%
Kaipara District	7,893	2,937	27%
Thames-Coromandel District	12,000	11,949	49%
Western Bay of Plenty District	16,887	3,144	16%
Tauranga City	45,183	4,473	9%
Kapiti Coast District	20,616	2,931	12%
Tasman District	18,594	2,700	13%
Nelson City	18,699	1,317	7%
Marlborough District	17,940	3,960	18%
New Zealand	**1,561,959**	**185,448**	**11%**

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ENDNOTES

[1] See Periodic Review Group (2003) for a history of New Zealand Superannuation.

[2] The Budget and Fiscal Update 2015 forecasts revenue of $1,265 million from road user charges and $972 million in petroleum excise taxes. Some of the road user charges are vehicle licensing fees etc.

[3] Source: New Zealand Year Books which are available in digital formats at http://www.stats.govt.nz/yearbooks

[4] See Jackson, N. (2011) p.2.

[5] Ibid pp.10-11.

[6] See Luxton, J. (1991) for an exposition of this idea.

[7] See Murphy, L. (2000) for a discussion of this privatization.

[8] The two main home ownership assistance programmes currently being offered by government are the Welcome Home Loan programme and the KiwiSaver Home Start grant. Both these programmes are administered on the Crown's behalf by Housing New Zealand. During the 2014/15 financial year Housing NZ assisted 1076 households through the Welcome Home loan programme and received 15,719 applications for the KiwiSaver Home Start (not all of which were fulfilled by the end of the year). The total cost of the programmes was $56 million of which $32 million was paid out as grants to first time home buyers – See Housing New Zealand's 2014/15 Annual Report pp. 40-41. This $56 million expenditure on first –time home ownership programmes, should be compared with the $1.146 billion spent on the Accommodation Supplement of which over 80% or almost $1 billion is spent on subsidies to private sector tenants while a further $726 million was provided to Housing New Zealand as income related rent subsidies – NZ Government's Financial Statements for the year ending 30 June 2015, p.50.

[9] For quoted passages see DTZ (2005) pp.9, 55. See also Saville-Smith, K. and James, B. (2010) in reference to tenure aspirations of younger Aucklanders.

[10] See Morrison, P. (2007).

[11] The population in general has had a pattern of falling marriage rates, delayed family formation and falling fertility and it seems reasonable to assume that younger baby boomers shared in this transition and so married later (if at all), had children later and had lower fertility than the older baby boomers. For example in 1965 the average total fertility was 3.54 but fell to 2.09 by 1991. The median age of mother at child birth in 1965 was 25.5 years while by 1991 this had extended to 27.9 years.

[12] This data is taken from Statistics New Zealand's quarterly *Dwellings and Household Estimates*.

[13] The reference here to baby boomers is to the political leadership from the baby boom generation who did little or nothing around meaningful housing policy. Both Ruth Richardson and Helen Clark were born in 1950 while John Key was born in 1961.

[14] This 'owned' category also includes, and does not separate out license to occupy which is typical of retirement village tenure. While licenses to occupy are a small proportion of this total these are relevant because retirement villages are purpose-built housing for older people.

[15] See Morrison, P. (2007).

[16] See discussion in previous chapter and Murphy, L. (2000).

[17] Joint Center of Housing Studies (2014) discussed falling home ownership rates amongst middle age households in United States.

[18] The data offered in Table 3.1 to 3.3 does not cover people living in institutional settings such as rest homes as these are deemed to be non-private dwellings and so outside the tenure statistics reported here.

[19] Although much of these estimates are taken from the 2013 Census other sources of data included Statistics New Zealand's national population estimates, Housing New Zealand and local councils for estimates of social housing provision and Ministry of Social Development for data on Accommodation Supplement payments.

[20] Statistics New Zealand defines non-private dwellings as buildings which are *'generally available to the public by virtue of employment, study, special care requirement, legal requirement, or recreation. They may be designed to house groups of people who are bound by either a common public objective or a common personal interest, or to provide communal or transitory type accommodation (used for short-term or long-term accommodation).*

Occupied non-private dwellings include:

- *hotels, motels*
- *hospitals, camps, institutional complexes, communal staff quarters and backpackers*
- *dwellings that would usually be classified as occupied private dwellings, but which have five or more boarders, lodgers or guests, for example homestays, farmstays, and bed and breakfasts (B&Bs) (with five or more boarders, lodgers or guests)'.*

[21] Source Statistics New Zealand's data tables 'living outside the norms'.

[22] Appendix 3 identifies around 10,600 social housing units under councils' ownership. With the exception of housing owned by Wellington, Christchurch and Dunedin City Councils all of this housing is dedicated either to people over 65 or to people over 55. In these three council the social housing is often more broadly available although preference is sometimes given for older people. The actual number of tenants resident in this stock may vary from time to time due to more or less couples living in them and if there are extended vacancies on account of refurbishments or in some cases soft demand.

[23] See Community Housing Aotearoa (2015) *Details Matter* p.17. Available at http://www.communityhousing.org.nz/files/2014/3165/6818/Details_Matter_27_Feb_2015.pdf

[24] See Saville-Smith et al. (2014) p.13.

[25] Housing New Zealand's annual reports report a slight but on-going decline in the total housing stock it manages. The company's housing stock was reported at 69,407 at 30 June 2012, 68,710 at 30 June 2013 and 68,229 at 30 June 2014. In November 2014 Hamilton City Council announced its decision to sell off the remaining 344 units of its portfolio of housing for the elderly. See Radio New Zealand report *'Hamilton council to sell pensioner units'* at http://www.radionz.co.nz/news/regional/260427/hamilton-council-to-sell-pensioner-units

[26] This data is taken from Statistics New Zealand's NZ.Stat interactive tool which is available at http://nzdotstat.stats.govt.nz/wbos/Index.aspx. These forecasts are from their 2014 base. These forecasts are generated for five yearly intervals from 2018 to 2068. Figures for this graph have been interpolated from these five yearly forecasts.

[27] For a forecast at the 25th percentile there is a 25% chance of the actual or eventual number being lower than the forecast number and a 75% chance of it being higher. Similarly for a 90th percentile there is a 90% chance of the actual number being lower than the forecast and a 10% chance of it being higher. This means that the 25th percentile forecast is a good indication of the bottom figure it might be useful considering while a 75th percentile or even a 90th percentile are good upper forecast estimates to use. An explanation of how these concepts are used in Statistics New Zealand's population forecasts is available at http://datainfoplus.stats.govt.nz/item/nz.govt.stats/583ca9da-d6d2-41e0-b626-5743c14deaf5

[28] Five yearly cohort data for tenure holders is reported until 85 and then reported as just one group for those older than 85. An assumption has been made here that the average ownership rate for this over 85 year old age group holds for the remainder of their lives. Although this is not likely to be the case the numbers of people involved are relatively small so assumptions around ownership rates are not significant to the overall analysis of tenure patters offered here.

[29] For example Figure 3.1 reports the probability someone who was 50 years old in 2001 (born in 1951) and then owning their home was 76%, while the probability of a 50 year old in 2013 (born in 1963) owning their home had fallen to 66%.

[30] For example, if the proportion of people aged over 65 living with owner-occupiers rose to 10%, the numbers involved by 2030 would be around 100,000 – an increase of approximately 60,000 from 2013. Over the same period non-owners aged over 65 are expected to increase by between 160,000 and 280,000 people. Most of these additional people will need to be accommodated in private sector rental accommodation.

[31] There is in any estimate of housing demand the question of household formation patterns. These patterns are a combination of choice and opportunity so there is a difference between what might be termed latent demand – the demand which would arise if everyone could exercise their choice, and effective demand – the demand which arises in reality and as a consequence of the opportunities available.

[32] This aggregate life expectancy estimate is the average of male and female life expectancies which are published by Statistics New Zealand on its New Zealand Abridged Period Life Table: 2012–14 and is available at http://www.stats.govt.nz/browse_for_stats/health/life_expectancy/NZAbridgedPeriodLifeTable_HOTP12-14final.aspx. For simplicity the life expectancies of someone in the middle of each of the age ranges reported by Housing New Zealand have been used to estimate the life expectancies of tenants.

[33] See Grant Thornton (2010) p.93 which makes forecasts of future demand for aged residential care of between 44,000 and 52,000 by 2026.

[34] In 2025 the first baby boomers reach 85. In the following five years the over 85's population is expected to grow by more than 30%.

[35] Data is sourced from a customised request from Statistics New Zealand and 2006 and 2013 Censuses databases.

[36] See Statistics New Zealand's 2015 Sub-national population estimates which are available at http://www.stats.govt.nz/browse_for_stats/population/estimates_and_projections.aspx

[37] For example in 2013 in its sub-national population estimates Statistics New Zealand estimated Auckland's population at 30 June 2013 at 1,507,700. A year later and in hindsight of the 2013 Census results its estimate for the region's 30 June 2013 population was revised downwards to 1,493,200. Presumably some of this difference was on account of unrecorded outward migration.

[38] The most reliable data on inter-regional migration is from the censuses so is only available every five years or so. Data on New Zealand Superannuation payments could however be used to more regularly track movements of older people between regions and so begin to plan for such movements and the challenges and opportunities these offer. At a regional level Tauranga City and Western Bay of Plenty councils have through their Smart Growth initiative contemplated the future implications of both aging and migration on local population dynamics. See relevant studies at http://www.smartgrowthbop.org.nz/research/building-the-community.aspx

[39] Table 5.4 reports very large increases in the population aged 65+ years in some regions. These increases cannot be entirely on account of aging due to the age structure of the local population a few years prior to the recent estimates and to the short time involved (one or two years). Clearly in regions where the numerical growth in the 65+ population is close to or more than the numerical growth in the total population there has been some outward migration of younger people matched by almost as many people aged 65+ moving in.

[40] Source Statistics New Zealand's sub-national population estimates.

[41] The 2013 Census reported 297,000 Aucklanders aged between 50 and 70 which roughly corresponds with those born between 1946 and 1965. The Census reported the resident population of Northland at 151,700 people.

[42] There is some evidence of recent higher than average rent increases in regions which might be seen as overflow regions for Aucklanders escaping high house prices. For example average rents nationally rose 4.5% in nominal terms over the year to 30 September 2015 (based on annual averages for previous four quarters). The only regions were the increase was larger than this national average were Auckland (6.0%) and Bay of Plenty (5.6%) while next highest was Northland (4.1%) Waikato lagged behind at 3.7% although still 4th equal on regional rankings. Rents in Canterbury appear to have stabilised with slight drop of 0.4% in nominal terms. This data is from Ministry of Building Innovation and Employment's Tenancy Bond Division dataset.

[43] For the sake of this analysis this cohort is taken as those aged between 50 and 69 in 2013 so were born between 1944 and 1963 which is slightly outside the birth years of 1946 and 1965 accepted elsewhere in the paper.

[44] For example Government spending on New Zealand Superannuation will grow by more than 30% in nominal terms or by $3.3 billion in the five years to 30 June 2016 while spending on Working for Families will drop by 13% or by $390 million.

[45] See for example the research done as part of the Inclusion, Contributions and Connections study which is undertaken by staff at Massey University. This looked at the future housing intentions of older people (aged 63 to 78) who were mainly home owners. Preliminary results suggest that almost half of those taking part in the research planned to shift in their retirement with maintaining their home or to release equity from their house. No mention is made or concern expressed here or elsewhere in their work on the position of elderly tenants. A summary of this report is available at https://masseyhart.wordpress.com/tag/moving-house/

[46] Breheny, M. Stephens, C. & Mansvelt, J. (2014) p.102.

[47] This figure is based on estimates offered in chapter 4 and summarised in Figure 4.10.

[48] In the New Zealand context see the work of Fiona Alpass and her colleagues at Massey University's Health and Aging Research Team. Her most recently published work on older people's work intentions is provided in Alpass, F. (2008).

[49] This data is taken from Statistics New Zealand's Household Labour Force Survey and is based data from surveys between September 2005 and September 2015. The lines in this graph record the experiences of a constantly changing group of people given that people of course age ten years during the period being considered.

[50] See Office for Senior Citizens (2015) pp.16-17.

[51] These figures are based on annual averages for the year to 30 September in each of the time periods considered and have been rounded to reflect the background error rates within the Household Labour Force Survey.

[52] See Alpass, F. (2008).

[53] Carter, K. Blakely, T and Soeberg, M. (2010).

[54] Ibid Table 1.

[55] Holmes, E. Davies, A. Wright, C. Pearce, N. and Boorman, B. (2011) *Mortality rates according to occupation in New Zealand males 2001-2005.* The New Zealand Medical Journal 124.1328, pp.16-28.

[56] See the New Zealand Health Survey 2013/14 results at http://www.health.govt.nz/publication/annual-update-key-results-2013-14-new-zealand-health-survey

[57] Population changes are for the year to 30 June 2015 while rent changes are for the year to 30 September 2015.

[58] Rent data is from Ministry of Business, Innovation and Employment's Tenancy Bond Division and is based on averages of four quarters of the reported mean regional rents for three bedroom houses. Population data is derived from Statistics New Zealand's sub-national population estimates and are for the years ended 30 June.

[59] The 2013 Census reported 1.12 million dwellings with three or more bedrooms out of a total of 1.48 million dwellings reported.

[60] Bridge et al. (2011) identify the difficulty which older people with limited financial resources are having in finding suitable accommodation and especially accommodation with a care element to it. They also identified the unprofitable nature of provision of affordable rental housing to older people.

Judd et al. (2014) studied down-sizing behaviour amongst older Australians and reported that two thirds of this shifting found it difficult to find a suitable house. Petersen et al. (2014) in a study of first-time homelessness amongst older people identifies triggers to this homelessness as being relationship breakdown, death of a spouse, mental illness and financial insecurity brought about by retirement. Most often such people have led 'conventional lives' until become homeless where these lives have been characterised by low paid and precarious employment perhaps with health problems.

[61] These costs estimates are illustrative of what it would cost to build a modest 80m2 house at $1500 per square metre with add on project management and consent costs. In addition land costs of between $100,000 to $150,000 per dwelling have been assumed as being the cheapest available newly developed section. Building consent data on retirement villages suggest an average build cost of $1,500 to $2,000 per square metre with an average size (including ancillary spaces of 80 to 100m2 making a the build cost of a typical unit of between $120,000 to $200,000. Land costs on top of this would put these units in the vicinity of $200,000 to $350,000 to develop.

[62] The Kapiti District and Marlborough, Nelson and Tasman regions might be considered to be favoured holiday and retirement locations for people living in Wellington and Canterbury. In 2013 these areas had around 11,000 vacant or unoccupied dwellings or around 14% of the total stock. At the same time the population aged between 45 and 69 in these regions totalled around 330,000 people or 30x time the number of vacant or unoccupied dwellings.

[63] Data on the relative costs of constructing infrastructure across regions is not available although the shift of resources into Christchurch following the 2011 earthquakes illustrates how integrated sectors as building construction and civil construction are. In effect resources can shift quickly from one region to another in response to demand and New Zealand has a number of national companies which bid nation-wide for infrastructure work. It is possible that economies and dis-economies of scale work in different ways and at different levels between the regions. While infrastructure work in Auckland especially around transport and drainage appear to be facing some capacity thresholds which involve significant up-front investment similar cost problems emerge in other regions around the need for infrastructure renewals or upgrade required to meet higher standards.

[64] Accommodation Supplement figures are from customised data provided by Ministry of Social Development while total Superannuation figures are from the Ministry's benefit fact sheets.

[65] From a Treasury 2010 aid memoir to the Minister of Social Development and Employment on the Accommodation Supplement downloaded on 9th November 2015 from http://www.treasury.govt.nz/publications/informationreleases/budget/2010/pdfs/b10-am-tsy-aaaas-18mar10.pdf

[66] These estimates are based on the average of the reported monthly geometric means for Auckland City and Christchurch City TLA areas. This data on geometric means is taken from Ministry of Business Innovation and Employment Tenancy Bond data set at http://www.mbie.govt.nz/info-services/housing-property/sector-information-and-statistics/rental-bond-data

[67] Estimates based on customised data on Accommodation Supplement supplied to The Salvation by Ministry of Social Development.

[68] This estimate is based on mean weekly rents for three bedroom houses in Auckland and Canterbury regions.

[69] See Saville-Smith, K. and Fraser, R. (2004) Table 10 p.15 which reports that 51% of surveyed landlords explicitly prefer retired couples as ten ants while 67% of landlords explicitly did not prefer large families.

[70] See for example Ministry of Social Development's recent RFP for the provision by NGOs of subsidised rental housing in Auckland.

[71] Data is from Statistics New Zealand's Household Labour Force Survey and Quarterly Employment Survey.

[72] This information is based on a phone and internet survey undertaken by The Salvation Army's Social Policy & Parliament Unit in July 2015. In some cases the numbers provided are estimated based on the information provided or otherwise gathered.

[73] Housing New Zealand (2014) *Age profile of Housing New Zealand tenants* – data released on HNZC website on 13 February 2015.

[74] House sale price data is from the Real Estate Institute of New Zealand's house sales data set. Rent data is from the Ministry of Business, Innovation and Employment's Tenancy Bond data set. The means have been calculated as the average of the most recent four quarters.

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