

The New New Zealand.

**The New New Zealand.
Facing demographic
disruption.
Paul Spoonley.**



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This book is dedicated to two John Spoonleys
— one is my father, born in 1913 and a migrant to
New Zealand from Liverpool, who taught me the
importance of understanding and tolerance —
and the other is my grandson, also John,
who was born 106 years later.

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Preface

At moments in the history of communities, countries or the world, key elements of demography — fertility, mortality and migration — can coalesce to reshape societies, sometimes in dramatic ways. This might occur because of disease, disaster or conflict — the influenza pandemic just after the First World War and the loss of life in major wars, for example. It might occur as a result of government policies that encourage more births: the election in 1935 of a Labour government and the extension of the welfare state, in which policies were built around a family wage and various family allowances, for example.

These shifts can be local and specific, but there also are moments when demographic change alters the very nature and structure of a community or nation, shifting the way in which they operate and determining policy options. One such transformation in our recent history is the arrival between 1945 and 1964 (sometimes given as 1965) of the baby boomers. The size of this very large cohort has had major consequences for the provision of services, from maternity care through to housing and education. Now, as New Zealand enters the 2020s, with its population reaching five million, the ageing of the baby boomers is a major consideration. It is creating an environment we have not encountered before, and it's combining with other population shifts to become disruptive.

A very different Aotearoa New Zealand is emerging. Much of the demographic change is unprecedented in this young country, and in human history in general. On the one hand is the very large size of the cohort of those reaching age 65 and living longer. On the other is a fertility implosion, as family formation changes and births decline. The demographic structure is changing to such a degree that

much of what we have put in place by way of policy or the provision of amenities and services is simply no longer appropriate or adequate.

When a society is both structurally and numerically ageing, immigration is one — or a partial — solution to the need for a workforce that will support an ageing population. But there's a paradox: at the very moment that immigration becomes even more important, countries such as the US, Japan and Hungary (or factions within them) are demonising immigrants and seeking to exclude them. New Zealand is not immune to anti-immigrant politics. When COVID-19 arrived in early 2020, many countries either closed or restricted access across their borders as a measure to reduce the international transmission of the virus. This strategy was also used as an excuse by politicians in some countries to alter and reduce the rates of immigration.

Like any other set of data generated by a pool of experts, the statistics and forecasts produced by demographers — the people who study population change — will invite either pessimism or optimism. There is no shortage of pessimists¹ but I tend to be an optimist.

That optimism stems from the opportunity we have right now to analyse and debate, and from a willingness to change, even when those changes are extremely disruptive. In this book I have tried to limit statistical content, with varying success, and I have not engaged in some of the necessarily complex technical discussions about the generation or analysis of statistical material. What I have tried to emphasise, rather, is what I see as the more important trends and issues. If we do not engage with the implications of our current and future demography, using new (and often radically different) thinking, we gift future generations of New Zealanders a number of problems. We do them a major disservice.

After all, we have got to five million people far more quickly than anyone had predicted, at a rate the public was probably largely oblivious to. If those growth trends continue, how long until we are at six million? Is there a willingness to understand the evidence and to be open to what demographers are pointing out? And how proactive and forward-looking are our leaders likely to be? The new New Zealand is here, and we need to talk about it.

Chapter One

A Reshaped Society

Demography can provide a number of insights into the future of societies, globally and locally, although predicting population change and outcomes with certainty can be a fraught business. The change in fertility patterns over recent decades, or the overall population decline of a number of high-income countries, would have all been difficult to predict 40 years ago, even though some demographers were already discussing the nature and implications of an anticipated demographic transition. Nevertheless, it would have been difficult to fully anticipate quite what would change, especially in relation to fertility. Moreover, demographic changes are now occurring at a fast pace compared with the past, when (with the exception of an event such as the Black Death in the Middle Ages) population dynamics were more stable and changed much more slowly.¹

A degree of uncertainty remains, as the impacts of COVID-19 demonstrate, but we also have evidence and sophisticated modelling that allows us to anticipate with some accuracy what is likely to happen, especially over a two- to three-decade horizon. These projections are always constrained by the fact that demography is never an ‘exact science’.² However, as Alex Newman, writing in the *Investors Chronicle* in 2018, said, ‘Ultimately, human populations are the product of billions of private decisions and interactions, influenced by myriad unpredictable policies, events and attitudes. Yet taken together, they often follow currents that point to probable futures.’³

The question is whether we stress the negative or the positive. As Newman notes, demography, like economics, is often the basis for ‘doom-laden visions of the future’.⁴ British demographers Danny Dorling and Stuart Gietel-Basten

point out that much of the ‘profoundly depressing’ nature of many demographic projections is based on error or even the abuse of demographic understanding.⁵ That’s why an important counterbalance is the acknowledgement that, while ageing and declining fertility are two very challenging factors, the current environment is also a product of major advances in health improvements, whose benefits we all enjoy. Nicholas Eberstadt, the Henry Wendt Chair in Political Economy at the American Enterprise Institute, wrote in 2010:

This global population explosion [a quadrupling of the earth’s population in the twentieth century, with a doubling of life expectancy] was, in reality, a health explosion: the entirety of the enormous increase in human population over the past several generations was due to dramatic declines in mortality and improvements in health conditions.⁶

If this improvement in health and life expectancy characterised the twentieth century, then a fertility ‘implosion’ is due to characterise the twenty-first.⁷ New Zealand, like other high-income and developed countries, is facing ‘age structural transitions’ (or demographic oscillations),⁸ in which certain population cohorts (at a national or community level) change in size relative to other cohorts. The New Zealand demographer Natalie Jackson argues that, instead of focusing on the growth rate of a population, or its size, the more important aspect to consider is its composition: age, sex, ethnicity and social cohort.⁹ She also argues that while it is important to understand the nature of ‘demographic generations’ (we might refer to them as particular cohorts, such as baby boomers), there are also ‘sociological generations’ — groups that hold a particular set of values or have shared in influential events, such as a major economic depression.¹⁰

I want to make three comments. First, the demographic changes experienced globally, and by high-income countries such as ours, are such that the past is not a good indicator of the future. The demographic transition is so profound that there is little in our historic responses to guide us in the future. For instance, in 2017 there were more people aged over 65 than there were aged under five; this has never previously occurred in high-income countries. Second, we have choices about how we approach these changes: we can stress their cataclysmic nature and worry about the consequences, or we can see potential and possibility in them.

And finally, we need to think creatively and boldly about what these changes mean and how we should, as national and local communities, respond. New Zealand's current debates about immigration policy and ideal quotas are not informed by national population policy considerations or agreed levels of growth and size (and the spatial distribution of the population). It's the sort of thing we ought to have an informed national conversation about.

So, what are the major components of this demographic transition? In no particular order they are as follows.

1. Population Stagnation or Decline

In 2015, the World Economic Forum focused on China's demographic challenges, which the country was facing much earlier than anticipated.¹¹ The discussion went on to note that of the 56 countries with a population of 20 million or more, nine are already experiencing population decline. Others will see population stagnation or decline in the future. These include: Germany, Japan, Ukraine, Russia, South Korea, Poland, Italy and Spain. Ukraine, for instance, is expected to drop by 22 per cent by 2050, and Japan by 15 per cent; it is anticipated that Germany will drop by 7.7 per cent in the same period, although this does not necessarily factor in immigration. And then there is China, which will shrink by 28 million people, or 2.5 per cent of its population, by 2050.

If those countries under 20 million are added, then many more countries will have smaller national populations in the future, including Bulgaria and Romania. Singapore is experiencing well below replacement levels of fertility (1.2 births per woman when replacement level fertility is 2.1 births), but projections are that its population will nonetheless grow due to immigration, even if the latter is a fraught political issue.¹² Australia's population growth has fallen since 2008 and is not expected to increase significantly in the immediate future; there will be growth, but it will be muted, given that births are 'static, deaths are rising and net migration is experiencing a cyclical low'.¹³ Net gains from immigration will maintain some growth. The result for Australia is that the country is currently experiencing an annual population growth rate of 1.3 per cent, compared to 2.19 per cent in 2008.

Many countries will see population decline through to mid-century. This will then have a range of impacts, one of the most important being labour force supply and availability. American business writer Linette Lopez, writing for the World Economic Forum, stated in 2015:

It is already fairly clear that lower birthrates and increased percentages of aged people have begun to slow economic growth in much of the high-income world, and can be expected to do the same in long ascendant countries such as China and South Korea. . . . There are several reasons these demographic shifts portend economic decline. First, a lack of young labor tends to drive up wages, sparking the jobs to other places . . . The second problem has to do with the percentage of retirees compared to active working people . . . Finally, there is the issue of consumer markets . . . and the slowing consumption of goods.¹⁴

Japan's labour force, for example, has been declining since the 1990s and will be one-third smaller by 2035.¹⁵ This is compounded by the unbalanced ratios between those who are in the workforce and those who are not, and who are reliant on some sort of support (they range from the young to the old, and include those on benefits or needing care). The dependency ratio in most advanced countries for the mid- and, often, late-twentieth century was approximately 4:1 (four in paid employment to one dependent), and even higher if the ratio was calculated as the number of workers in relation to those aged over 65. By the mid-twenty-first century, many high-income countries will have a ratio of 2:1, and in some, such as Japan, the ratio will be even lower than this.¹⁶

In 2020 the implications of both ageing societies and population stagnation have been highlighted by the COVID-19 pandemic. As the Wittgenstein Centre for Demography and Global Human Capital noted, the 'severity of COVID 19 . . . does not depend only on a country's health system and policy measures, but also on age structure, regional distribution and social behaviour'.¹⁷ It goes on to state that the higher proportions of those aged over 80 in Italy and Spain (7 per cent and 6.2 per cent of their populations respectively compared to the EU average of 5.6 per cent) combined with more intensive intergenerational impact and demography explained the societal vulnerability to COVID-19.

The 'global demographic transition', in which declining fertility and structural ageing combine to produce the *end* of population growth, has begun with high-income countries and will expand to a range of other (medium- and low-income) countries.¹⁸ This transition and its implications were first discussed at the end of the Second World War,¹⁹ but were not fully understood until more recently as countries began to experience lower population growth and then,

for some, a decline in actual population numbers. This 'end of growth' is viewed by politicians and others with concern and many find discussing the resulting stagnation or decline difficult, as though it were an indication that they, or their community/country, have failed. But others note that there are benefits.²⁰

2. Fertility

One of the most challenging shifts in the demography of developed societies has been the drop in fertility rates²¹ to below replacement level (2.1 births per woman over a childbearing lifetime), and the implications for the demographic profile of that society. In the G7 countries in 2016, France had the highest fertility (1.9), followed by the US and Britain (both 1.8), Canada (1.5) and Germany (1.6) and then Japan (1.4) and Italy (1.3). In the sixth national census, China's total fertility rate (TFR) was given as 1.18, although it is probably higher than this given the under-reporting of births.²² (Elsewhere it is given as 1.5.) Once a country drops below 1.5, it is classified as a 'very low fertility country', and this may become something of a major political and policy issue — as is the case in Japan, for instance.²³

The fertility decline is driven by increasing urbanisation, the educational levels and workforce participation of women, the costs of having and raising children, and changes to cultural behaviours and beliefs associated with both families and children.²⁴ In this context, it has been difficult to know what measures, such as pro-natal or family policies, might make a difference to declining or low fertility. Most such policies have little impact on birth rates.

Declining fertility means a drop in labour supply as the size of the cohorts entering the workforce from the compulsory or tertiary education sector remains flat or even declines. It also means a decline in the ratio of tax and social insurance income to national income or the amount of GDP available for welfare and retirement benefits, and a change in the dependency ratio.

In the latter decades of the twentieth century and the first decade of the twenty-first, the growth in labour and the resulting demographic dividend has been most obvious in China and India, where labour growth has been accompanied by economic growth. (For the last 40 years, China's annual GDP growth has averaged 10 per cent per annum, which, as some commentators point out, is historically unprecedented.)²⁵ However, in the immediate future, the growth of labour will mostly occur in sub-Saharan Africa, followed by Pakistan and Bangladesh, none of which have been associated with good records of economic performance.²⁶

3. Ageing

One of the most important changes to occur in many societies is a result of ageing, as the numbers of those over a particular age, normally taken as 65, increase in both absolute and relative (as a proportion of the total population) terms, and as people live for longer. The effect of this is that high-income countries are experiencing unprecedented absolute and relative numbers of those in older age groups.

This is most obvious in countries whose populations began ageing in the 1980s, such as Germany and Japan. More surprisingly, it also affects China, whose population is expected to peak in 2029 at 1.44 billion before it begins to decline in size. But the compositional influences are important. In 1987, just 4.2 per cent of China's population were 65 or older. By the mid-2020s, this will be 14 per cent and climbing, and China will officially become an 'aged' country.²⁷ By 2050, 330 million Chinese will be over the age of 65. It will have taken just 23 years for the proportion of the Chinese population aged over 65 to rise from seven to 14 per cent. This is extraordinarily fast compared to Germany (which took 40 years to achieve the same shift), the UK (45 years), the US (60 years) or France (115 years).²⁸

A number of factors help explain this shift in China's ageing population. The one-child policy introduced in 1980 has had ongoing effects on the number of women of childbearing age (not helped by gender manipulation during the one-child era, where male offspring were preferred to female so that 118 males were born for every 100 females). It has also set a new fertility pattern that has proven difficult to shift in recent years. (The one-child policy was only publicly relaxed in 2016.)²⁹ China is already experiencing both structural and numerical ageing, and is catching up to the ageing of high-income societies.

The process of ageing has been very obvious in countries that experienced a baby boom in the mid-twentieth century, such as Australia, Canada and New Zealand. (New Zealand experienced a larger and more sustained baby boom than nearly every other high-income country.) These baby boomers began to reach 65 years of age in 2010, with numbers increasing significantly by 2013. By the 2020s those aged over 65 will outnumber those under 15 years of age, including in New Zealand (although it might occur later here because fertility has remained at replacement levels for longer). Within just over a decade Japan will have more people aged over 80 than under 15. Even the US, which is projected to grow over the coming decades, is seeing a shift in its demographic profile as a

result of ageing: by 2030, Americans of retirement age will outnumber children for the first time in the country's history.

As a result, the age of 65 as marking a point of a transition to retirement and old age is increasingly open to debate — is it in fact any longer the appropriate age of retirement? The proportion of those aged over 65 will grow to a point that is unprecedented in human history and will be most noticeable in those high-income societies that have already experienced ageing, whether from the 1980s in the case of Germany and Japan, or from the 2000s in those countries that experienced a baby boom from 1945. The 65-plus cohort is noted, too, for its longevity.³⁰ They are the healthiest ever to reach this age, and medical interventions, extensive state support over their lifetimes, and an interest in a healthy lifestyle, combined with much less onerous and life-threatening employment, have all contributed to this longevity.

4. Death

As societies age, the annual death rate increases. In 2011 in New Zealand, for the first time in the country's history, the number of deaths exceeded 30,000 per year, and in 2020 it is around 33,000. However, there are many more older people, and so the age-specific death rates (the mortality rate experienced by a specific age group) have actually decreased. Mortality rates at specific ages are dropping and deaths per age band are declining as a result of healthier ageing. The impacts on both disease and mortality have been dramatic. One US study found that in the 20 years from 1984 to 2004, the number of people aged 85 to 89 who were classified as disabled in some way halved, while for those aged over 95 there was a drop from 52 per cent to 31 per cent.³¹ Alistair Woodward and Tony Blakely, in their book *The Healthy Country? A History of Life and Death in New Zealand*, highlight the growth in life expectancy, with increases of between two and 2.5 years per decade, especially as negative causes (smoking, for example) have declined and public health measures have increased longevity.³² One result is that as more New Zealanders are living longer, the age at which dependency occurs is having to be recalculated — upwards. And in recent decades, it has moved considerably. Independent living continues for much longer, frailty and the need for care are being delayed, and death is changing, both in terms of when it occurs and what people are likely to die from. Demographers have referred to the 'compression of morbidity', or the 'health-related quality of life before death'.³³

Not all countries experience such a compression of morbidity and there are numerous debates and disagreements about what is happening and why. For the moment, I would just note that the health of older New Zealanders is changing and, for the most part, improving, so that morbidity is changing, as are age-specific death rates. Living longer is one key element in the modern demography of New Zealand.

The causes of death are also changing. As people live longer, they suffer and die from different illnesses. In the period 2007–16, deaths from ischaemic heart disease actually went down in Australia (–5200), but deaths from dementia (+4200) and Alzheimers (+1800) both went up, as did cancer (+4000).³⁴ Low or lower mortality for specific age bands is a key component of the Demographic Transition Model (DTM), which has been a focus in modern demography (some have referred to it as a ‘preoccupation’)³⁵ as the relationship between fertility and mortality changes, and as societies transition from high to low in both these factors.

One question is whether the mortality rates and the causes of death will continue to change, and whether there will be further major shifts. Certainly, as public health systems come under pressure in many countries, the ability or willingness to provide specialist care to the degree that it impacts on morbidity is an important question for funders. For instance, spikes in deaths in the UK in 2012, 2013 and 2015 have been related to the provision (or lack) of healthcare and services.³⁶ Is there a point at which the ageing of society, combined with the provision of healthcare, impacts on mortality and morbidity rates, with implications for longevity?

5. Ongoing Urbanisation and Geographical Concentrations

The geographical distribution of the populations has continued to change. The Industrial Revolution prompted the urbanisation of populations: by 1850, the UK was the first country to have more than half of its population living in cities. This trend towards urbanisation has risen in high-income countries to the point where, now, between 80 and 90 per cent of a national population will live in towns and cities. This has been compounded by the growing concentration of populations in certain ‘primate’ cities (cities much larger than other cities in a particular country), for instance, London, Paris or Dublin, each of which now contains more than a quarter of their respective national populations. And while growth has slowed in recent decades, the economic, political and demographic

dominance of the cities — and often of one or two dominant cities — continues.

Again, China is an interesting case study, in terms of both urbanisation and broader migratory trends. The country's declining fertility and increasing ageing are possibly its most challenging issues, especially when the workforce is considered,³⁷ but there is also the shift of a considerable proportion of the country's population from rural areas to the cities. China has experienced the largest migration in human history, in this case internally, with what is called a 'floating population' (those whose residence differs from their registered residence, and who have been away from the latter for six months or more) of 221 million. This rural to urban migration in order to participate in urban labour markets and economies has provided a huge and ongoing supply of workers for the labour-intensive industries that have contributed so much to the country's economic boom.³⁸

The movement underpins the growing urbanisation of the country (by 2011, more than half of China's population lived in an urban area), so that cities expanded significantly, and new towns and cities were built.³⁹ That leaves behind rural areas, where ageing has become the defining demographic characteristic (a hollowing out of the demography of these areas), while in the major towns and cities fertility has dropped quickly and markedly. How much longer this internal mobility will continue is uncertain. Already, there are signs that the internal supply of workers is beginning to dry up. There are simply fewer people of working age who are available to move from rural China to cities.

New Zealand is a classic — albeit much smaller — instance of this phenomenon. In the mid-nineteenth century the population of the South Island exceeded that of the North Island and Dunedin was for a while the country's largest city, but the population moved steadily north from the early twentieth century — and has continued to do so. By the second half of the twentieth century, a third of all New Zealanders were resident in Auckland, and the city is forecast to be the recipient of 60 per cent of future population growth through to the late 2030s. From one-third of New Zealand's population today, Auckland might well be home to 40 per cent of the population by the third decade of the century.

Reasons for this include the growth of modern service and knowledge-based economies that require co-location of similar industries and firms; the lifestyle provided by cities, from access to consumer goods and services through to an acceptance of difference in a way that is not so apparent in smaller communities;



Home to one-third of New Zealand's population today, Auckland might well be home to 40 per cent of the population by the third decade of the century. Given that in a four-year period to 2018, immigration had provided 70 per cent of New Zealand's population growth, a large number of Aucklanders will be migrants.