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*Living Standards of*  
**OLDER**  
*New Zealanders*

— A SUMMARY —



*Te Noho o ngā Kaumātua o Aotearoa*

**2001**

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PRESERVATION

*Living Standards of*  
**OLDER**  
*New Zealanders*

— A SUMMARY —

*Te Noho o ngā Kaumātua o Aotearoa*

2001

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- the Super 2000 Taskforce and Secretariat for their vision and enthusiasm in initiating the research and overseeing the early stages of this research;
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- Statistics New Zealand (Julie Woolf – Project Manager, and Gerry Cotterell – project member) who conducted the Survey of Older People and supplementary survey of older Māori, and ACNielsen NZ Ltd (Anne Harland – Project Manager) who conducted the survey of working-age people;
- agencies who have contributed to the development and the progress of the research including the Treasury, the Office of the Retirement Commissioner, Te Puni Kōkiri, Statistics New Zealand and members of the Officials Liaison Group for this study;
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- officials from the Ministry of Social Policy, including Bryan Perry, Ross Mackay, Rachel Smithies, and others;
- Age Concern for their assistance with the survey work; and
- the many thousands of respondents to the living standards surveys.

#### **Disclaimer**

This report represents the views of the authors, and does not necessarily represent the views of the Ministry of Social Policy

## Foreword

This research describes the material living standards of older people and provides a good starting point to better understand how New Zealanders in the workforce today may fare when they retire.

The study was initiated and directed in its early stages by the Super 2000 Taskforce. It recognised the importance of information about the situation of older people and embarked on an ambitious and innovative research project to meet these needs. When the Taskforce was disestablished in March 2000, the significance of the research was recognised by the current Government, who had the Ministry of Social Policy continue and extend the work programme.

This study combines information on the complex set of relationships that describes living standards, such as possessions and social activities, into a single scale. The successful construction of the robust and descriptive Material Well-being Scale is a significant achievement. It has great potential to be used to describe the living standards of different groups in the population, monitor changes in living standards over time, help assess why changes have occurred, and gain insight into how to help people in material difficulty.

The research published here is the first in a series of studies based on the information collected. As this research programme continues, it will establish more knowledge about the material circumstances of New Zealanders, and the factors that have an impact on whether they are doing well or poorly. This will help governments make decisions on how resources can best be used to ensure well-being for all New Zealanders.

An additional aspect of the research is the creation of a rich and descriptive database about living standards which is to be made available to other researchers. I encourage researchers to take the opportunity to explore the issues raised by this report and conduct further work using the information gathered. This will help to promote informed debate and foster greater understanding of the situation of New Zealanders today, and how we might best prepare for the future.

I must commend all those who have been involved in this work, in particular Bev Hong, who has actively managed the project through all of its stages.



**Dame Margaret Bazley, DNZM**  
Chief Executive, Ministry of Social Policy



## Overview

This report summarises the first in a series of studies being undertaken by the Ministry of Social Policy on the living standards of New Zealanders. Additional work being conducted by the Ministry includes investigating issues specifically raised by this study, examining the use and relevance of the *Material Well-being Scale* to describe the living standards of other subgroups in the population, and exploring Māori perspectives on living standards.

The aims of the study were to construct a standard-of-living measure, describe the living standards of older people, compare the living standards of older people with other groups, and examine factors underlying living standard differences amongst older people.

This summary report has been written for those having a general interest in the living standards of older people. A companion full report (*Living Standards of Older New Zealanders: A Technical Account*, Fergusson et al, 2001) provides greater detail on the technical aspects of the analysis, including scale construction and the statistical modelling of predictor variables. This technical report should be consulted to provide the background to the conclusions and recommendations made here. (Limited copies are available from the Ministry of Social Policy. It is also available on [www.mosp.govt.nz](http://www.mosp.govt.nz))

### ■ The survey participants

Just over half (53%) of the sample of the 3060 older people surveyed were single (living alone or with others), and just under half (47%) were couples (living alone or with others). The mean age of single respondents was 76, compared with 72 years for couples. The population was mainly European-Pākehā, with 3% Māori and 2% of Pacific ethnicity. Two-thirds of the respondents lived in major urban areas (67%), a quarter in minor urban areas (24%) and only 9% lived in rural regions. The majority of respondents (72%) lived in the North Island with nearly one-third living in either the Auckland or Wellington regions. Just under two-thirds of respondents had no formal educational qualifications.

A sizeable minority of respondents reported potentially serious health problems, including cardiovascular diseases, cancer and diabetes.

The levels of income (from all sources, including New Zealand Superannuation) tended to be relatively modest, particularly for single respondents. Levels of savings were also modest, and the findings indicate a population with relatively low levels of financial resources. The majority of the population owned their own home; as a consequence, the accommodation costs were generally low. These low accommodation costs suggest that although incomes amongst older people were often modest, relatively little of this income was spent on accommodation.

## ■ Measuring living standards

Living standards were measured by developing a scale (*the Material Well-being Scale*). This scale was constructed by combining information from five areas or sub-scales:

- Ownership Restrictions;
- Social Participation Restrictions;
- Economising;
- Severe Financial Problems; and
- Self-assessments.

## ■ Key findings

Overall, the results show that most older people were doing quite well and had relatively few material restrictions and difficulties. A minority (around 5% of the sample) had quite marked material hardship, and a further 5–10% had some difficulties.

Older people – both Māori and non-Māori – tended to report fewer material restrictions and difficulties than younger people.

Factors found to predict variation in the living standards of older people were:

- net annual income;
- savings and investments;
- accommodation costs;
- economic life events and stresses;
- age group;
- Māori ethnicity;
- Pacific ethnicity;
- educational achievement; and
- socio-economic status.

The research shows that the person most at risk of poor living standards was characterised by a mix of low income, no savings, high accommodation costs, a history of economic stress, being younger (aged from 65–69 years), being of Māori or Pacific ethnicity, and having held a low-status occupation. These findings suggest that what determines a person's living standard in old age is not one single factor (such as net annual income) but an accumulation of factors that reflect the person's current circumstances and previous life history.



## ■ Policy themes

Key policy themes suggested by the findings are that:

1. the current system of income support has been successful in protecting the great majority of older people from hardship;
2. criteria such as income level, savings and investments, accommodation costs, etc could be used to target supplementary assistance for the minority of older people facing particular financial hardship;
3. although a comparison of the older people in receipt of New Zealand Superannuation compared to working-age beneficiary populations (e.g. single parents, the unemployed) has yet to be conducted; the preliminary results suggest that older people as a group are faring relatively well compared to the working-age population as a whole;
4. pre-retirement policies, such as encouraging saving and investment to meet economic needs in old age and ensuring high levels of employment and adequate income levels over the life course before retirement are important; and
5. the well-documented material disadvantages experienced by Māori and Pacific peoples extend into old age. A large amount of this disadvantage reflects economic disadvantages (such as lower income levels, assets and savings and higher housing costs) experienced by Māori and Pacific peoples in old age.

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# Background and Context

The structure of New Zealand's retirement income system has a number of unique features that make the pension system quite different from those of many other countries. The Public retirement income systems of many other countries include both a social assistance pension to address hardship, and an earnings related pension to protect pre-retirement living standards. However, New Zealand has only a single provision, known as New Zealand Superannuation (NZS) which is not income related. The key features of the present NZS programme are described in Box 1.

In addition to NZS, a range of state supplementary assistance programmes and support services are available for older people experiencing financial hardship. These include an accommodation supplement (subsidy), access to subsidised state-owned rental accommodation, special needs grants, a disability allowance and a higher subsidy on medical costs (through a Community Services Card). Support services include respite care, mobility aids and district nursing services. In addition, some war veterans who were injured during their service receive a war disablement pension.

Apart from these public provisions, people may also make their own private arrangements to provide for their retirement. No tax concessions are provided for such savings, however. Currently, Government's encouragement for such savings is largely pursued through the provision of information by the Office of the Retirement Commissioner. Among current retirees, levels of private savings are generally low and most retired people rely heavily on NZS as their major source of income.

For several years, concern has been expressed that not enough is known about the living circumstances of older people in New Zealand to help inform public debate and the development of policy. For example, in 1997, when reporting on retirement income policies, the Periodic Report Group had to rely on a few indirect indicators to assess the living standards of people receiving the public pension. The Group commented:

*There is no comprehensive survey of the current living standards of retired people. Such a survey would have been useful for our assessment.*

(Periodic Report Group, 1997, p32).

Over time numerous changes in policy have affected public pension entitlements, related retirement services and the tax and regulatory

## Box 1: Features of the New Zealand Superannuation Programme

### Universal

New Zealand Superannuation (NZS) is payable to every individual over the age of 65 who meets the residency requirements. There is no income or asset test.

### Fiat-rate

The payment is a standard dollar amount, unrelated to previous earnings levels. The amount is dependent only on partnership status and living arrangements.

### Tax-funded

Funding comes entirely from general government revenues. No direct contributions or pay-roll taxes are levied on employers or employees.

### Pay-as-you-go

Funds are annually appropriated by Parliament to pay current pensioners and no provision is made for future liabilities. At the time this report went to print, a proposal was being considered by Government that would partially pre-fund NZS by setting aside and investing a proportion of tax revenues to meet the cost of future NZS entitlements.

environment for private savings in New Zealand. Yet these changes have occurred with only limited information on the situation of the people most immediately affected: those who are currently retired, or contemplating retirement.

In 1999, the Super 2000 Taskforce commissioned a comprehensive survey of the living standards of older people. The Taskforce was established by the Government of the day to develop a stable retirement income framework with sufficient flexibility to cope with a changing environment, and the ability to assist New Zealanders to plan for their retirement with confidence. Although the Super 2000 Taskforce was disbanded in March 2000, this survey and the related stream of research is being continued by the Ministry of Social Policy.

The aims of the study of the living standards of older New Zealanders reported here are set out in Box 2. The Taskforce was interested in how older people were faring and the distribution of living standards of older people. It also wanted to know about the factors that underlie variations in living standards in order to understand more about the relationship between supplementary assistance and NZS.

A requirement of the research was that the information could be used to make reasonably accurate statements about the situation of Māori as tangata whenua of New Zealand as well as non-Māori. Disparity of outcomes between Māori and non-Māori had been demonstrated in a range of areas, including health, education and welfare (Te Puni Kōkiri, 1998). The living standards research provided an opportunity to further investigate disparities between older Māori and non-Māori and to explore the factors (including cultural) associated with any difference in living standards between these groups.

In addition, the Taskforce wanted comparative information about living standards from the working-age (18–64-year-old) population so that the living standards of older people could be interpreted relative to the rest of the New Zealand population.

The research summarised here is an initial investigation of the data collected from the living standards survey of older people. It also includes a preliminary consideration of the information from the supplementary samples of Māori aged 65–69 years and working-age people, to provide indicative sub-group comparison information.

#### Box 2: Research objectives

The research aims were to:

1. develop, validate, and calibrate a standard of living measure;
2. measure the standard of living of older people generally and of sub-groups of older people;
3. investigate the factors that underlie living standard differences for older people generally, and for sub-groups of older people; and
4. compare the living standard of older people with the living standards of other groups.

Further analysis exercises are being undertaken by the Ministry of Social Policy of the information gained in the supplementary surveys.

The research attempted to address two general questions about the living standards of older people:

- How can the relative living standards of older people be measured and described?
- What factors contribute to or influence the living standards of older people?

### ■ Measuring living standards

A notion of living standards based on the material conditions and consumption of older New Zealanders is used for this research. Material conditions and consumption refers to the goods that people have and consume (for example, possessions such as electrical appliances and consumption of food), and to participation in common social activities.

The approach adopted for measuring living standards was based on the New Zealand Survey of the Aged conducted in 1974, which studied living standards in a sample of 2303 respondents over the age of 65 (Department of Social Welfare, 1975). The 1974 survey collected information on a range of topics, including demographic and employment status, housing, food, mobility and transport, work activities, social and leisure activities, financial and other needs, health, expenditure, income and assets, respondents' evaluation of financial circumstances, and the interviewer's assessment of the respondent's circumstances.

Overall, 138 items were included as potential indicators of standard of living or material well-being in the questionnaire used for the 1974 survey. As a result of cluster and factor analysis, a set of 35 items was selected as the basis for a scale of hardship or material well-being.

These items related to:

- restriction of expenditure on the basis of cost for items such as food, medical treatment, new clothing or home heating;
- the nature and condition of accommodation, such as whether there was a separate laundry, the lavatory was inside or outside, and state of repair;



- the nature and extent of consumer durables owned, such as whiteware, television, bedding and kitchen utensils; and
- the interviewer's assessment of the standard and condition of the accommodation.

These items were then combined to produce a single scale or measure of living standards amongst older people.

The present study used a similar approach in which extensive information was gathered on the material well-being of older people. The criteria for the selection of this information were that the information:

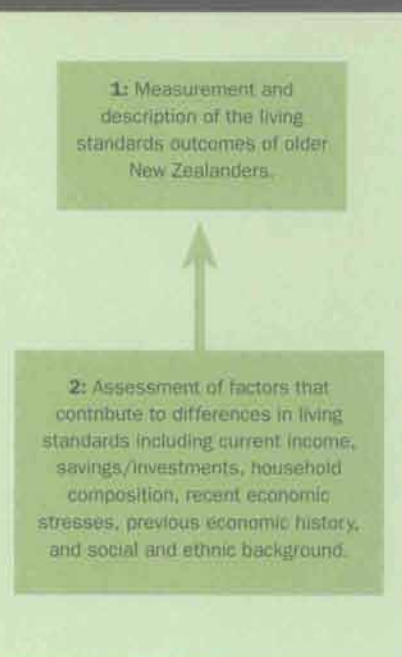
- could be used to provide an outcome-based description of the distribution of living standards of older people across a continuum from hardship to comfort;
- could be measured without placing an undue burden on survey participants; and
- did not involve the use of current income as a measure of living standards (an aim of the research was to investigate how much current income influenced variation in the living standards of older people).

Drawing from previous studies, workshop discussions, and consultation with Māori researchers, living standards indicators were developed to represent the full range of living standards. These indicators included items commonly used in studies that assess poverty to gain information about those in hardship. A scale was then developed that combined information from a range of areas, including things people want to have but cannot afford; social activities they want to do but cannot afford; economising they do to keep costs down; serious financial problems (such as inability to pay power bills); self-assessed adequacy of income for buying necessities; and self-assessed level of living standards.

### ■ Factors contributing to living standards

On the basis of the available literature on living standards and consideration of policy-related issues, several factors were identified as potentially influencing or predicting variations in the living standards of older people. These factors are summarised in Box 3.

**Box 3: The two central components of the research on the living standards of older people**







## Data Collection: The Surveys

### ■ The Survey of Older People

The Survey of Older People was conducted by Statistics New Zealand. It was administered through the Household Labour Force Survey (HLFS) using the HLFS sampling frame. All households containing a person aged 65 and over who had recently participated in the HLFS in September 1999, or were participating in the HLFS in March 2000, were eligible for selection. One eligible person per household was selected. HLFS non-respondents were automatically considered to be non-respondents. The study population was defined as "The civilian, usually resident, non-institutionalised population aged 65 years and over living in permanent private dwellings."

The survey:

- was conducted between 7 February 2000 and 7 April 2000;
- involved face-to-face interviews about 90 minutes in length;
- obtained a sample of 3060 people aged 65 years and over; and
- achieved a response rate of 68%.

The survey data were then weighted (adjusted) to take into account the sampling approach used for the survey. Analysis for the research has been undertaken using the weighted data scaled to represent a total sample of 3060 respondents (1618 single respondents and 1442 couples). Unless otherwise noted, the reason that results are sometimes reported for less than 3060 respondents is due to missing observations.

The characteristics of survey respondents were compared with those of non-respondents and with data from the 1996 Census in order to determine whether there was any evidence of bias. Overall, the analysis found little evidence of any bias in the sample. However, there was some evidence that Pacific and Asian peoples who had more recently migrated to New Zealand were under-represented in the sample.

## ■ Supplementary surveys

In addition to information gathered from the Survey of Older People, the analysis has been supplemented by data from two other surveys.

### Supplementary survey of Māori aged 65–69 years

To boost the number of older Māori respondents in the research, Statistics New Zealand was commissioned to conduct a supplementary survey of 500 Māori aged 65 and over. This survey population comprised the usually resident, non-institutionalised New Zealand Māori population aged 65–69 years, living in permanent private dwellings and in receipt of NZS.

The sampling frame was the superannuation database administered by the Department of Work and Income. Seventy was chosen as an upper age limit for sampling from the database, because data for Māori 70 years and over was incomplete in the administrative records. A simple random sample of Māori aged from 65–69 years was selected. One eligible person per household was selected for the survey, and respondents confirmed that they identified themselves as having Māori ethnicity (with or without other ethnic identifications). Specific cultural training was provided to the survey interviewers, and a non-monetary koha (gift) was offered to survey participants.

### The supplementary survey of Māori

This survey:

- was conducted between 10 April 2000 and 12 June 2000;
- involved face-to-face interviews about 90 minutes in length;
- obtained a sample of 542 Māori aged 65–69 years; and
- achieved a response rate of 63%.

The survey data were then weighted (adjusted) to take into account the sampling approach used for the survey. Analysis for the research has been undertaken using the weighted data.

### Supplementary Survey of Working-Age People

A survey of people aged 18–64 years was also commissioned to provide contextual information. This survey was conducted by ACNielsen NZ Ltd. Information was collected about living standards and some other key variables (such as income and assets), but not about the full range of potential determinants collected for the main survey of older people.

The survey population was people aged 18–64 years (inclusive) living in permanent private dwellings. The survey involved house-to-house sampling where only one person per household was interviewed. One person was randomly selected for participation in the survey from each household.

The survey:

- was conducted between 11 March 2000 and 18 June 2000;
- involved face-to-face interviews about 40 minutes in length;
- obtained a sample of 3682 people aged 18–64 years; and
- achieved a response rate of 60%.

The survey data were then weighted (adjusted) to take into account the sampling approach used for the survey. Analysis for the research has been undertaken using the weighted data.



## The Survey Participants

### Family composition

Of the 3060 older people sampled in the study, 1618 (53%) were single and 1442 (47%) were partnered respondents. Whilst single respondents made up over half of all family units within the population of older people, the majority of older people (60%) are partnered (since there are two individuals per partnered family). There were few older people with dependent children (0.7% of single respondents and 2% of couples).

### Age

The single respondents ranged in age from 65 to over 80 with a mean age of 76 years. Those in couples tended to be younger. Amongst the couples, the mean age of respondents was 71 years and that of partners was 69 years. Thirty percent of partners were under 65.

### Gender

Almost three-quarters of the single people were women (74%). The high proportion probably reflects greater female longevity. Amongst the couples, there were equal numbers of males and females.

### Ethnicity

Amongst single respondents, 92% were of European-Pākehā ethnic status, 3% were Māori, 2% Pacific and 3% described themselves as being of "Other" ethnic status. Amongst the couples, there was a similar ethnicity distribution. Of the 1442 couples, in 91% of cases both partners were European-Pākehā; in 4% of cases one or both partners were Māori; and in 2% one or both partners were Pacific people.

### Marital status, living arrangements and educational achievement

Table 1 shows that single respondents tended to be widowed and living alone, and that couples tended to be legally married and also living in households with no other occupants. Around a third had no formal educational qualifications and a quarter to a third had a secondary school or trade qualification. About one in ten of single respondents and partnered respondents had some tertiary education.

**Table 1: Marital status, living arrangements and educational achievements for 1618 single respondents and 1442 couples**

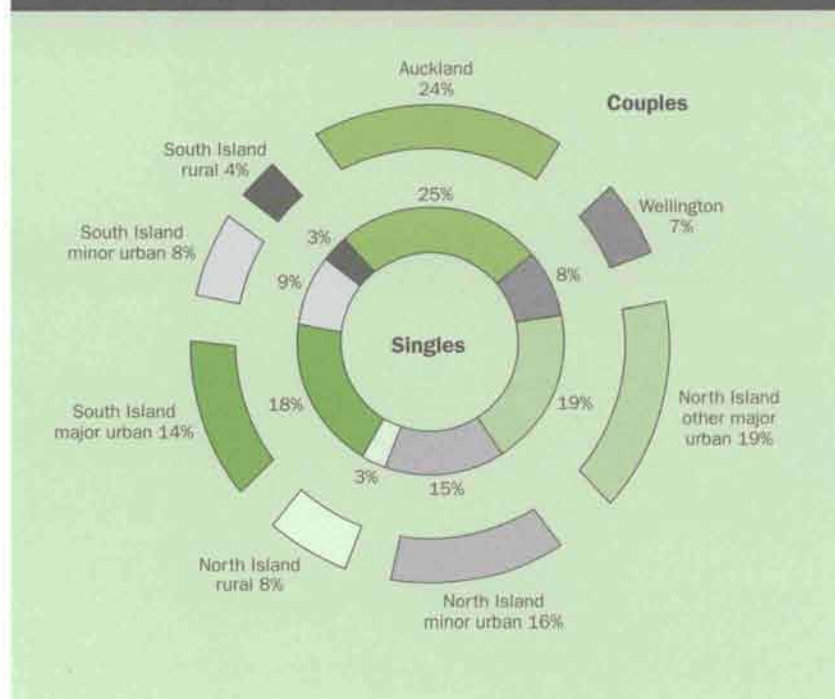
	Single	Couples
Marital Status	76% widowed	97% married
	13% separated or divorced	3% in de facto unions
	11% were never married	
Living Arrangements	82% lived alone	90% lived alone
	16% lived with relatives	9% lived with relatives
Educational Achievement	65% had no formal qualifications	60% had no formal qualifications
	26% had secondary school and/or trade qualifications	30% had secondary school and/or trade qualifications
	9% had some tertiary education	11% had some tertiary education

**Note:** Totals may not sum exactly to 100% as values have been rounded up to whole numbers.

### ■ The regional distribution of the sample

Figure 1 shows the regional distribution of the sample: two-thirds of the respondents lived in major urban areas (67%), a quarter in minor urban areas (24%) and only 9% lived in rural regions. The majority of respondents (72%) lived in the North Island, with nearly one-third living in either the Auckland or Wellington regions.

**Figure 1: Regional distribution of 1618 single respondents (inner circle) and 1442 couples (outer circle)**



## ■ Health and disability

### Health problems

Table 2 shows the proportion of the sample reporting that they had received medical treatment for various medical conditions in the last 12 months. Overall, there was a relatively high rate of such problems as hypertension, coronary heart disease, diabetes and cancer, reflecting the age of the sample. These problems tended to be most prevalent amongst single individuals and least frequent amongst spouses for the couples. Single respondents on average had 2.1 health problems compared to 1.7 and 1.5 for partnered respondents and their spouses respectively. These differences mirror the differences in the mean ages of the three groups, suggesting that differences may, in fact, reflect differences in the age distributions of the single respondents and couples.

**Table 2: Health problems in past 12 months for 1618 single respondents and 1442 couples**

Measure	Single (%)	Couple	
		Respondent (%)	Spouse/Partner (%)
Hypertension	40	37	31
Rheumatism or arthritis	30	20	20
Back pain or other back problem	23	19	17
Colds, flu	21	21	17
Coronary heart disease or stroke	17	15	13
Health problem associated with long-term disability	16	13	5
Asthma, emphysema or bronchitis	13	10	9
Diabetes	8	7	7
Injury or poisoning	8	7	5
Mental health problems	8	4	3
Cancer	7	6	5
Kidney disease	2	2	1
Nervous system disorder, e.g. Parkinson's disease	2	1	2
Other problem(s)	15	12	11

Note: Apart from values less than 1, values have been rounded up to whole numbers.



■ Physical difficulties and disabilities

Table 3 gives the proportions of respondents reporting various physical difficulties and disabilities. The results appear to be similar in structure to those shown in Table 2: a sizeable minority of respondents, more likely to be single respondents, reported various difficulties and disabilities. Overall, single respondents reported on average 1.7 difficulties/disabilities compared to averages (means) of 1.1 and 1.0 for respondents and partners in couples.

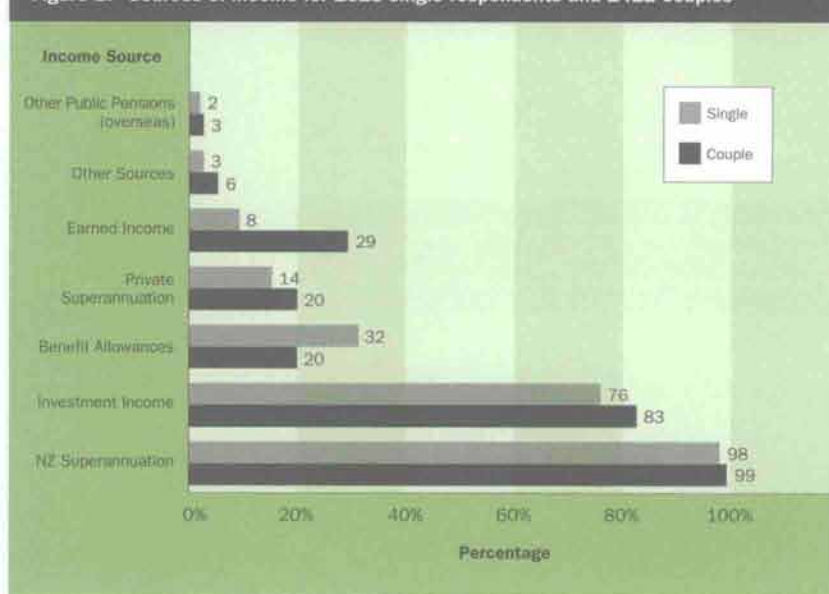
Table 3: Physical difficulties, disabilities or impairments for 1618 single respondents and 1442 couples			
Measure	Single (%)	Couple	
		Respondent (%)	Spouse/Partner (%)
Difficulty walking significant distances or up stairs	41	27	24
Poor eyesight even when wearing glasses	23	14	10
Shortness of breath	22	17	12
Difficulty walking short distances	22	12	12
Poor balance or co-ordination	20	10	8
Difficulty gripping or lifting	18	11	10
Poor hearing even with a hearing aid	16	14	12
Difficulty maintaining concentration	8	5	4
Confined to a wheelchair	0.4	0.6	0.8
Confined to bed	0.2	0.1	0.2
Other physical difficulty	4	2	2

Note: Apart from values less than 1, values have been rounded up to whole numbers.

### ■ Current income

As part of the survey, respondents were asked about the sources from which they received their income. The responses to these questions are summarised in Figure 2.

**Figure 2: Sources of income for 1618 single respondents and 1422 couples**

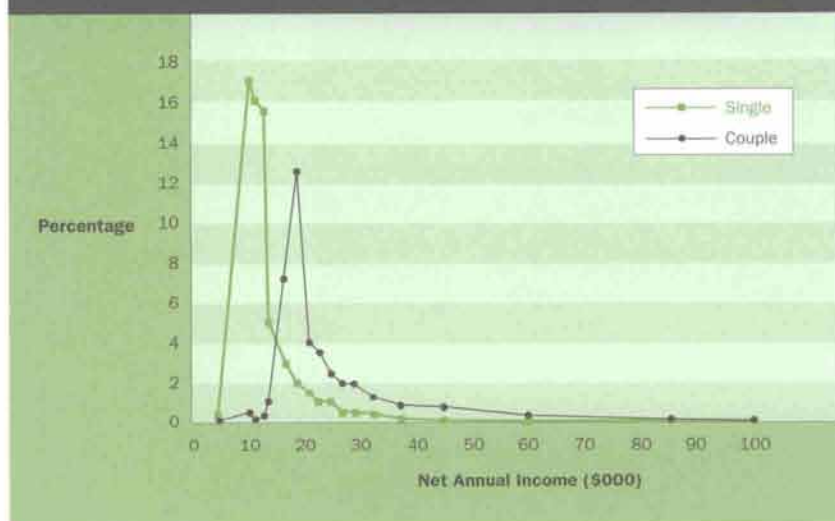


Further examination of the distribution of sources of income described shows that approximately 10% of single respondents and 6% of couples were solely dependent for their income on NZS (with or without supplementation from other allowances – e.g. accommodation benefits); 88% of single respondents reported that their income came from NZS supplemented by at least one other source of income; and 93% of couples reported receiving both NZS and one additional source of income.

The 2% of single respondents not in receipt of NZS received income from a variety of alternative sources, including benefit allowances (0.3%), earned income (0.2%), investments (1%) and other sources (0.6%). The 1% of couples not in receipt of NZS received their income in a similar way: earned income (0.4%), investments (0.8%) and other sources (0.1%).

Figure 3 shows the distribution of net (after tax) annual income for single respondents and couples. The income levels for single respondents tended to be relatively modest, with the median income being \$12,090 per annum (\$232 per week). Three-quarters of single respondents reported incomes under \$15,300 per annum (\$293 per week) and 90% reported incomes below \$23,000 per annum (\$440 per week). It was estimated that approximately 70% of the income received by single respondents came from either NZS or other welfare benefits and allowances. The remaining income was provided from the sources listed in Figure 2 (earned income, investments, private superannuation, other).

**Figure 3:** Distribution of estimated total net annual income for 1581 single respondents and 1416 couples (using mid-point estimates from income bands)



**Note:** Estimates of net-income could not be obtained for 2% of single respondents and 2% of couples.

As would be expected, income levels of couples tended to be higher than those for single respondents, with the median income being \$21,000 (\$403 per week). On average, the income received by couples was 1.9 times that received by single respondents. Three-quarters of couples reported incomes below \$32,500 per annum (\$623 per week) and 90% reported incomes below \$53,300 (\$1,022 per week). It was estimated that approximately 60% of the income received by couples came from NZS or other welfare benefits and allowances and 40% came

from other sources, including earned income, investments, private superannuation and other sources.

The overall impression conveyed by the results in Figure 3 is that, bearing in mind that the income for couples had to support two people, both single respondents and couples had fairly modest net income levels. The majority of incomes fell within a relatively narrow band, ranging from \$10,000 to \$18,000 for single respondents and \$16,000 to \$40,000 for couples.

### ■ Savings and investments

Most respondents reported income from savings and investments (see Figure 4). By far the most common form of investment was bank deposits, which were held by over three-quarters of single and partnered families. The second most common was investments in shares, unit trusts and similar institutions.

**Figure 4: Types of savings and investments (excluding own home) held by 1618 single respondents and 1422 couples**

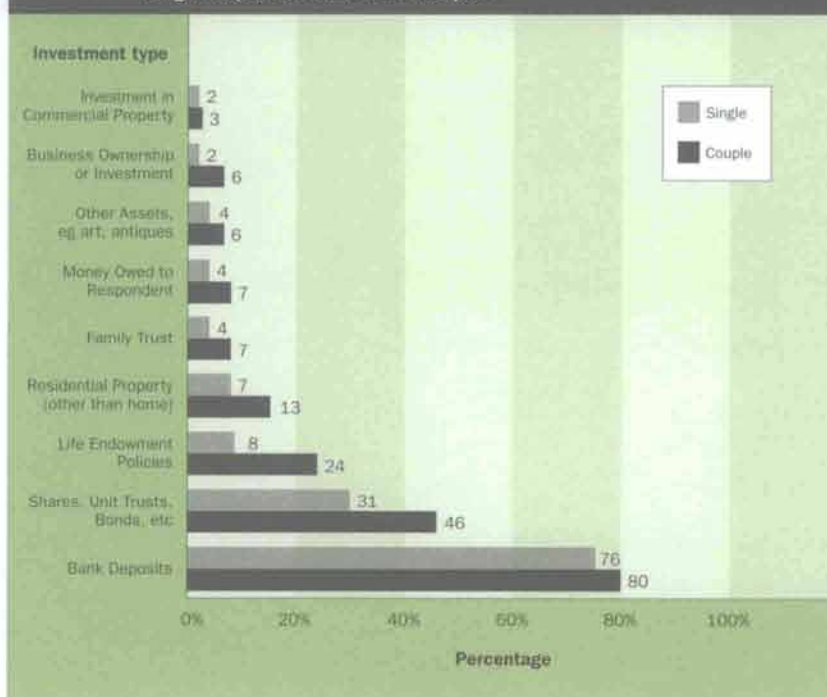




Table 4 shows respondents' estimates of the total value of their savings and investments (note that the estimate does not include the value of the family home). Amongst single respondents, levels of assets were modest, with the median value of investments being reported as \$7,500. Three-quarters of single respondents had savings and assets of less than \$37,500 and 90% had savings and assets of less than \$125,000.

**Table 4: Estimated total value of savings and investments (excluding own home) for 1407 single respondents and 1224 couples**

Value (\$000)	% Single	% Couple
<1	31	21
1-5	14	8
5-10	12	8
10-15	7	6
15-25	9	9
25-50	9	12
50-100	7	10
100-150	3	6
150-200	2	4
200-250	2	4
250-300	0.7	2
300-350	0.9	3
350-400	0.7	2
400+	2	7
TOTAL	100%	100%

**Note 1:** Apart from values less than 1, values have been rounded up to whole numbers. Therefore, totals may not sum exactly to 100%.

**Note 2:** Information on the value of investments was not obtained for 13% of single respondents and 15% of couples.

Couples tended to have somewhat higher levels of savings and assets than single respondents, with the median value of investments being \$37,500. Furthermore, there was far greater variability in the savings and assets of couples. Three-quarters of couples had savings and assets with a value of less than \$100,000 and 90% had savings and assets with a value of less than \$325,000.

### ■ Home ownership

As noted, the estimated savings and investment values in Table 4 exclude the value of the respondent's home. However, clearly home ownership or equity in a home is one of the more important assets that older people may possess. Figure 5 provides a summary of the ownership of the respondents' accommodation. The figure shows that amongst single respondents, 68% owned their own home and for a further 16%, the accommodation was owned by a family trust or relative; 17% of single respondents reported renting their accommodation from a private landlord, local authority, Housing New Zealand or other sources. Amongst couples, 86% reported owning their own home and for a further 8%, the accommodation was owned by a family trust or relative; 6% of couples reported renting their accommodation from a private landlord, local authority, Housing New Zealand or other sources.

Almost all of the single respondents and couples who owned their own homes did so freehold. Of the 68% of single respondents who owned their own home, 94% were freehold; and of the 86% of couples who owned their own home, 93% were freehold.

Figure 5: Distribution of home ownership and average weekly accommodation costs (mean \$pw) for 1618 single respondents and 1442 couples

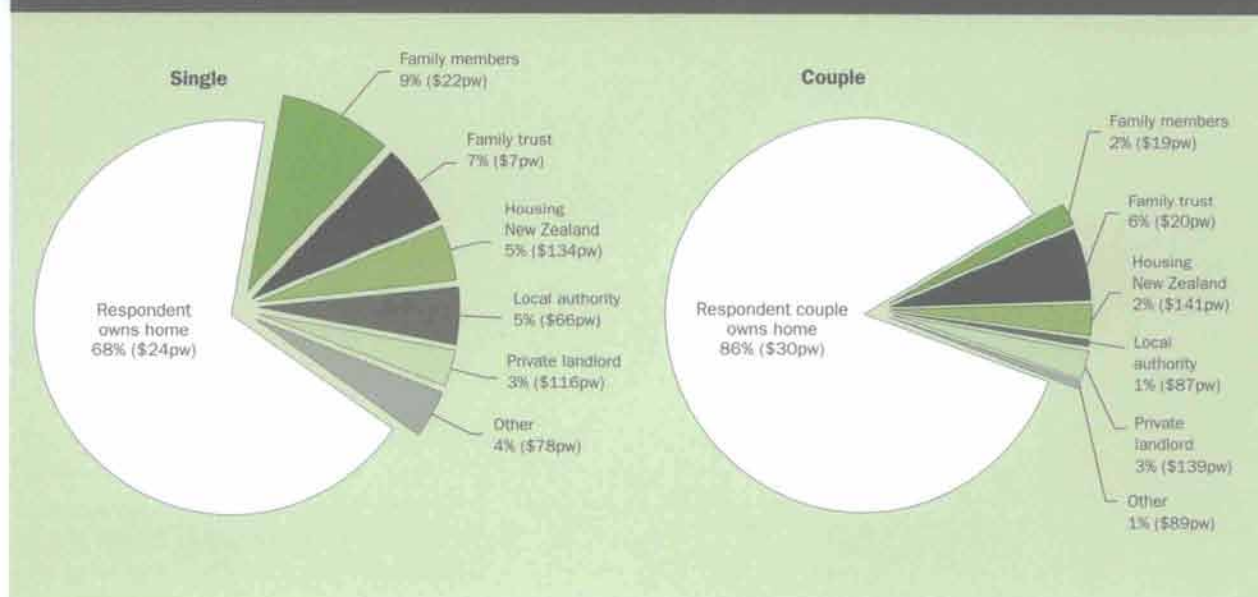


Figure 5 and Table 5 show estimates of weekly accommodation costs (including mortgage, rates, rental, body corporate fees, etc). As might be expected from the high levels of home ownership, the accommodation costs paid by older people tended to be low. For single respondents, the median weekly accommodation cost was \$20; three-quarters paid less than \$30 per week and 90% paid less than \$95. For couples the median weekly accommodation cost was \$23; three-quarters paid less than \$30 per week and 90% paid less than \$75.

Those owning homes were asked to provide the most recent government valuation of the property to provide an index of the worth of their home. These figures are reported in Table 6.

For single respondents owning their own home, the median value of the property was \$125,000. Three-quarters of home owners had properties valued at less than \$200,000 and 90% had properties valued at less than \$275,000.

For couples owning their own home, the median value of the property was \$175,000. Three-quarters of home owners had properties valued at less than \$250,000 and 90% had properties valued at less than \$350,000.

**Table 5: Estimated weekly accommodation costs (mortgage, rental, rates, body corporate fees, etc) for 1520 single respondents and 1357 couples**

\$ per week	% Single	% Couple
0	17	9
1-24	49	51
25-49	15	27
50-99	9	4
100-149	5	4
150-199	2	2
200+	2	2

**Note 1:** Totals may not sum exactly to 100% as values have been rounded up to whole numbers.

**Note 2:** Estimates of weekly accommodation costs could not be obtained for 6% of single respondents and 6% of couples.

**Table 6: Government valuation of home (for those owning their home) for 1053 single respondents and 1205 couples**

Value (\$000)	% Single	% Couple
<25	0.3	0.2
25-50	3	2
50-100	24	15
100-150	30	21
150-200	18	21
200-250	12	16
250-300	7	12
300-350	2	5
350-400	0.8	3
400+	3	5

**Note:** Apart from values less than 1, values have been rounded up to whole numbers, therefore totals may not sum exactly to 100%.

### ■ Economic history and current financial stress

It is likely that the living standards of older people will depend on their previous economic history as much as, if not more than, on their current economic circumstances. Clearly, the best way of examining this possibility would be through a (longitudinal) study over time of the processes by which people make transitions into old age. In the absence of this information, the present study collected some information on previous economic history by asking respondents about their exposure to events and circumstances that may have disrupted their economic circumstances during the decade before age 60. These events and their reported frequency are shown in Table 7. Single respondents reported a mean of 0.68 adverse events (most commonly death of a partner and health problems). Couples reported a slightly lower rate (mean = 0.57). The most common economic adverse events reported here were being made redundant and health problems.

**Table 7: Adverse economic life events (age 50–59 years) for 1618 single respondents and 1442 couples**

Event	% Single	% Couple
Mortgagee sale	0.5	0.4
Bankruptcy	0.2	0.3
Financial loss of \$10,000 or more	3	7
Legal bill of \$10,000 or more	1	1
Made redundant	5	10
Unemployed 12 months or longer	4	4
Separation or divorce	6	4
Death of partner	15	2
Major damage to home caused by natural disaster	3	2
Illness lasting 12 months or longer	11	7
Major injury/illness requiring hospital treatment	15	17
Imprisonment	0.4	0.1
Other major financial life event	4	3

**Note:** Apart from values less than 1, values have been rounded up to whole numbers.



To indicate the extent to which respondents were subject to economic stress at the time of interview, the findings represented in Table 7 were supplemented by questioning about the single person's or couple's exposure to economic stress in the last 12 months; these results are shown in Table 8. Single respondents reported an average of 0.38 financial stresses in the last 12 months. The most commonly reported stresses were house maintenance and replacement of household appliances. Couples reported an average of 0.32 financial stresses in the last 12 months. The most common forms of their financial stress also included home maintenance and replacement of household appliances, as well as large car repair bills.

**Table 8: Financial stresses experienced in the last 12 months for 1618 single respondents and 1442 couples**

Source of stress	% Single	% Couple
Legal costs	3	2
Business failure	0.4	0.2
Matrimonial property settlement	0.3	0.1
Death of partner	4	0.1
Funeral costs	4	0.5
Unusually large car repair bill	5	6
Replacement of fridge or washing machine	10	9
Major item of house maintenance	5	5
Property damage	0.9	1
Natural disaster	0.3	0.4
Burglary	3	3
Fraud, embezzlement	0.5	0.3
Victim of other crime	0.3	0.7
Other stressor	3	3

**Note:** Apart from values less than 1, values have been rounded up to whole numbers.

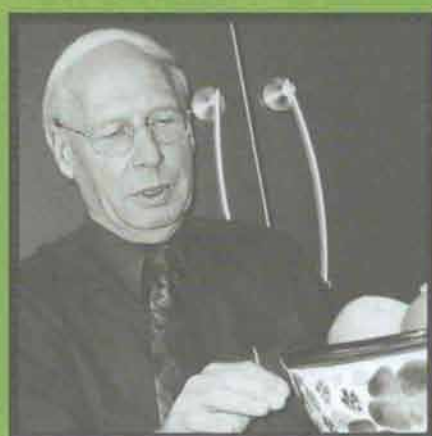
Table 9: Self-assessment of income adequacy and overall living standards for 1595 single respondents and 1438 couples

Measure	Single	Couple
<b>Adequacy of Income</b>		
More than enough	10	15
Enough	40	39
Just enough	38	36
Not enough	12	10
TOTAL	100%	100%
<b>Standard of Living</b>		
High	4	6
Fairly high	17	22
Medium	70	68
Fairly low	8	4
Low	2	1
TOTAL	100%	100%

Note: Totals may not sum exactly to 100% as values have been rounded up to whole numbers.

### ■ Self-assessment

People were also asked two general questions about their living standards. The first question was whether they found their total income enough to meet their everyday needs. The result indicated that about 10–12 percent of respondents thought their income was inadequate for their day-to-day costs. The second question asked them to assess their overall material standard of living on a five-point scale ranging from high to low. The results suggest that 9% of single respondents and 5% of couples rated their overall living standards as being fairly low or low. Overall, these self-assessments indicate that 5–10% of this age group reported some economic deprivation (see Table 9).



# Measuring and Describing Living Standards

A central goal of the research was to develop a scale of living standards that ranked respondents from those with low living standards to those with high living standards. Figure 6 presents a flow diagram of the way in which the survey data were transformed to produce a scale of living standards.

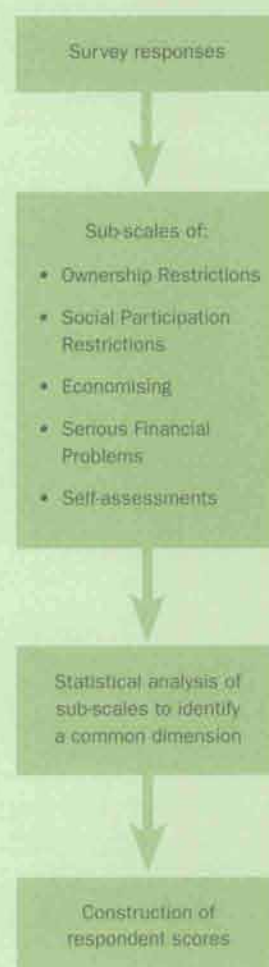
The development of the scale involved four stages:

1. Collection of survey data: In the first stage of the scale construction, data were gathered on a large number of items describing the material conditions experienced by the respondent.
2. Creation of sub-scales: The collected measures were then combined to create a number of sub-scales. These sub-scales were:
  - Ownership Restrictions: items the respondent reported wanting but failing to own because they could not afford it. Items spanned from those relating to basic necessities (e.g. warm bedding) to luxury items (e.g. dishwasher, waste disposal);
  - Social Participation Restrictions: social activities the respondent reported they wanted to do but could not do because of a lack of money. Restrictions ranged from basic social activities (e.g. giving presents to family/friends) to luxury items (e.g. overseas holidays every three years);
  - Economising: the extent to which the respondent reported making economies in key areas including food, clothing, medical care, home heating; and
  - Severe Financial Problems: the extent to which the respondent had faced severe financial problems in the last 12 months as measured by such things as use of food banks, being unable to pay bills for accommodation, utilities, etc.

The items comprising these four sub-scales and the percentages of the sample reporting these items are shown in Table 10.

- Self-assessments: The sub-scales above were supplemented by the self ratings of living standards and adequacy of income presented previously.
3. Statistical analysis: The sub-scales and self-assessments described above were then analysed using statistical methods (confirmatory factor analysis) to identify whether they could be grouped together to represent one common dimension or factor. This analysis showed

Figure 6: Constructing the scale





that the sub-scales and self-assessments reflected a single common factor that could be used as a measure of a family's level of material well-being.

4. Constructing a scale score: From the results of the statistical analysis, it was possible to estimate a scale score for each respondent. The scale that was developed to describe living standards is called the *Material Well-being Scale*. The scale is used to describe how older people as a group are faring by placing them along a range from people who are doing poorly (cannot afford to have or do things they want to, economise a lot, have serious financial problems, perceive themselves as doing poorly), to those who are doing well (can afford to have or do things they want to, do not economise a lot, have no serious financial problems, perceive themselves as doing well).

### ■ Summary of responses to four main sub-scales

Figure 7 shows the distribution of scale scores for the older people in the sample. Scores ranged from below 80 to a maximum of 115. The maximum represents the score of a respondent reporting no restrictions in ownership or social participation, no economising behaviours, no serious financial problems and the top category on the two self-assessments.



**Table 10: Percentage of 3013 respondents reporting each of the ownership restrictions, social participation restrictions, economising behaviours and serious financial problems**

Item	%
<b>a) Ownership Restrictions (did not own because of cost)</b>	
Heating in main rooms	6
Television	0.2
Secure locks	5
Stereo	3
Warm bedding	0.3
Video	3
Best clothes	3
Microwave	2
Warm coat	2
Waste disposal	3
Good shoes	1
Dishwasher	5
Washing machine	0.4
Food processor	3
Dryer	4
Car	1
<b>b) Social Participation Restrictions (did not do because of cost)</b>	
Participate in family/whānau activities	2
Give presents to family/friends on special occasions	2
Visit hairdresser once every 3 months	3
Holiday away from home every year	14
Overseas holidays once every 3 years	20
Night out once a fortnight	9
Day out once a fortnight	5
Visitors for a meal once a month	3
Special meal at home once a week	3
Space for family to stay the night	1

## ■ Case histories

The scale scores show the distribution of the population of older people on a general dimension that measures their material well-being. However, to interpret the scale, the material circumstances that are implied by a given scale value need to be known. The most straightforward way of describing the scale is to provide illustrative case histories of respondents at different points on the scale.

The case history material does not describe any specific person or couple in the study. The case histories are composites created by combining data from a number of respondents to produce an illustrative profile. Any resemblance between these composite case histories and specific participants in the Survey of Older People is entirely coincidental.

### 1. Respondents with scores below 80

Subjects with scores less than 80 comprised 5% of the sample. This group represents those with generally low living standards relative to other older people.

**A single person:** Elsie was a widowed 75-year-old European-Pākehā female living alone in accommodation rented from Housing New Zealand. Her net income including accommodation supplement placed her in the \$12,000–\$14,000 per annum income bracket. She had very little savings and paid \$130 per week for her accommodation. Questioning about her material circumstances revealed that Elsie reported a relatively large number of areas of material deprivation and difficulty, including responses to three ownership items (warm clothing, heating, dryer), and three social participation items (special meals at home, having visitors, going out once a fortnight). She reported 12 areas in which she economised. She also reported a serious financial difficulty (could not keep up payments for utilities) in the last 12 months. She described her living standards as "low" and stated that her income was not sufficient to meet day-to-day living expenses. These responses gave Elsie a score of 66 on the *Material Well-being Scale*.

**A couple:** George and Betty were a married couple who had been together for over 30 years. George was 69 and Betty was 67. George described himself as European-Pākehā while Betty described herself as Māori. They were living in their own home for which they paid rates of \$17 per week. Their combined income placed them in the \$16,000–\$18,000 income bracket. They had no savings or investments. Questioning about their material circumstances revealed that George

Table 10 (continued)

Item	%
<b>c) Economising</b>	
Less/cheaper meat	36
Postponed dentist visits	11
Less fresh fruit/vegetables	7
Gone without glasses	10
Bought second hand clothes	18
Gone without adequate dentures	10
Worn old clothes	12
Not picked up prescription	2
Put off buying new clothes	31
Cut back/cancelled insurance	14
Relied on gifts of clothes	7
Cut back on visits to family/friends	11
Worn-out shoes	8
Cut back on shopping	11
Put up with cold	9
Less time on hobbies	10
Stayed in bed for warmth	9
Not gone to funeral	5
Postponed doctor's visits	8
<b>d) Serious Financial Problems</b>	
Couldn't keep up payments for electricity, gas, water	2
Couldn't keep up payments on mortgage, rent	0.8
Couldn't keep up payments for hire purchase, credit cards	0.6
Borrowed money from family/friends to meet living costs	1
Received help (food, clothes or money) from community organisation	0.5
Pawned/sold something to meet living costs	0.9

Note: Apart from values less than 1, values have been rounded up to whole numbers.

and Betty were facing a number of areas of difficulty. They reported two ownership restrictions (good, warm clothes; video), four social participation restrictions and cited 10 areas in which they had to make economies. These included buying second hand clothes, having to put up with cold, postponing visits to the doctor, and not being able to attend a funeral. Although they described their overall standard of living as "medium", they reported that their income was not adequate to meet day-to-day living costs. These responses gave George and Betty a score of 79 on the *Material Well-being Scale*.

## 2. Respondents with scores in the range 100–104

A large proportion (39%) of the sample had scores that placed them in the range of 100–104. This group very clearly represents those with an average level of material well-being relative to the population of older people.

**A single person:** Roland was a 76-year-old male whose wife had died seven years before. He was living in an ownership flat which he owned and for which he paid \$18 per week in rates. His income placed him in the \$12,000–\$14,000 bracket and he reported having savings and investments in the \$25,000–\$50,000 bracket. Roland reported relatively few material hardships or difficulties, although he noted two areas (put off buying clothes, postponed visits to doctor) in which he made economies in order to reduce his expenditure. Roland described his living standards as "medium" and stated that his income was adequate to meet his day-to-day living costs. These responses gave Roland a score of 104 on the *Material Well-being Scale*.

**A couple:** Peter and Helene were a couple who had been together for 15 years following their divorces from previous partners. Peter was 71 and Helene was 66. They were living in their own freehold home for which they paid \$23 per week in rates. Their combined income placed them in the \$20,000–\$22,000 income bracket and they had savings and investments in the \$50,000–\$100,000 bracket. When questioned about their material circumstances, Peter and Helene reported few hardships or areas of deprivation. However, they noted some areas in which they experienced social participation restrictions (holidays overseas, a night out once a fortnight) and described themselves as economising in two areas (meat, purchasing new clothes). They described their overall standard of living as "medium" and noted that their income was adequate to meet their day-to-day living costs. These responses gave Peter and Helene a score of 101 on the *Material Well-being Scale*.



### 3. Respondents with scores over 109

Nine percent of respondents in the Survey of Older People had scale scores over 109.

**A single person:** Elizabeth was an 80-year-old European-Pākehā woman living alone in her own home. She was able to do this because of considerable support from her family. Her home was owned by a family trust and as a consequence Elizabeth paid no costs for her accommodation. She reported no health problems and only one disability (loss of hearing). Her income placed her in the \$26,000–\$28,000 income bracket and she reported having savings and investments that placed her in the \$100,000–\$150,000 bracket. She reported no areas of hardship or difficulty in the areas of ownership restrictions, social participation restriction, economising or serious financial problems. Elizabeth described her overall living standards as "fairly high" and indicated that her income was more than adequate to meet her day-to-day living costs. This profile of responses gave Elizabeth a material well-being score of 111.

**A couple:** Frederick and Leonie were a couple who had been married for over 40 years. Frederick was 72 and Leonie was 65. They were living in their own freehold home for which they paid rates of \$30 per week. Both described their health as excellent and reported no health problems or disabilities. Their total income placed them in the \$50,000+ per annum income bracket and they reported having savings and investments in excess of \$300,000. They reported no areas of hardship or difficulty on the ownership restriction, social participation restriction, economising or financial hardship scales. They described their standard of living as "high" and stated that their income was more than enough to meet their day-to-day needs. These responses gave them a material well-being score of 115.

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To supplement the case histories above, Table 10 provides a more general description of the range of conditions implied by the scale scores. The table shows a range of variations, from those with scores below 80 who reported multiple restrictions and difficulties, to those with scores over 109 who reported few, if any, economic difficulties.

About 5% of older people were experiencing marked restrictions and difficulties, with a further 5–10% reporting some difficulties. The overall impression conveyed by these results is that, in terms of material well-being, most older people were doing relatively well.



**Table 11: General description of Material Well-being Scale categories**

Scale Score	General Description
<b>&lt; 80</b> 5% of the sample	Likely to have up to 4 ownership items. A quarter or more in this category did not have warm good clothing, heating in main rooms, dryer, dishwasher, secure locks and stereo.
	Very likely to have up to 5 restricted social activities. More than a third in this category lacked holidays away or overseas, a night or day out once a fortnight, special meals at home once a week, or having visitors for a meal once a month. About 1 in 5 could not give presents to family/friends on special occasions. About 1 in 10 could not participate in family/whānau activities, and 1 in 10 did not have space for family to stay the night.
	Likely to economise a lot in 2 to 11 areas including buying cheaper/less meat, wearing old or second hand clothing, or worn-out shoes, cutting back on shopping, social visits, and hobbies and postponing visits to the doctor. Most people in this category bought cheaper or less meat and put off buying new clothes, and over half postponed visits to the doctor. 1 in 6 people in this category economised by not picking up a prescription.
	Almost half experienced serious financial problems. About 1 in 4 could not pay their utility bill, 1 in 5 borrowed money from family or friends, and 1 in 9 pawned or sold something.
	Just over half rated their living standard as fairly low or low.
	About two-thirds rated their income as not enough for everyday needs.
<b>80–84</b> 3% of the sample	Likely to have up to 4 ownership restrictions, especially warm good clothing, heating in main rooms, dishwasher and locks.
	Likely to have up to 4 restricted social activities, especially relating to holidays away from home or overseas and a day or night out once a fortnight. About 1 in 10 in this category could not give presents to family/friends on special occasions and 1 in 10 could not participate in family/whānau activities because of the cost.
	Likely to economise a lot in up to 9 areas including buying cheaper/less meat and wearing old or second hand clothing. About one-third in this category postponed visits to the doctor. 1 in 20 people in this category economised by not picking up a prescription.
	Very unlikely to have any serious financial problems.
	2 in 5 rated their living standard as fairly low and about half rated it as medium.
	About half rated their income as not enough for everyday needs.
<b>85–89</b> 5% of the sample	Likely to have up to 3 ownership restrictions, especially heating in main rooms, dishwasher and secure locks.
	Likely to have up to 4 restricted social activities, especially relating to holidays away from home or overseas and a day or night out once a fortnight.
	Likely to economise a lot in up to 5 of the areas including buying cheaper/less meat and putting off buying new clothing. Just under one-fifth in this category postponed visits to the doctor.
	Very unlikely to have any serious financial problems.
	1 in 5 rated their living standard as fairly low and most rated it as medium.
	About 2 in 5 rated their income as not enough for everyday needs, and the others mainly just enough.

Table 11 (continued)

Scale Score	General Description
<b>90–94</b> 8% of the sample	May have 1 or 2 ownership restrictions.
	Likely to have restricted social activities, especially relating to holidays away from home or overseas and a day or night out once a fortnight.
	Likely to economise a lot in up to 3 areas.
	Very unlikely to have serious financial problems.
	Likely to rate living standards as medium.
	About 1 in 5 rated their income as not enough for everyday needs.
<b>95–99</b> 16% of the sample	Ownership restrictions unlikely.
	May have restricted social activities relating to holidays away from home or overseas.
	Unlikely to economise a lot.
	No serious financial problems.
	Most likely to rate living standards as medium.
	About 1 in 6 rated their income as not enough to meet their everyday needs.
<b>100–104</b> 39% of the sample	Ownership and social participation restrictions unlikely.
	Unlikely to economise a lot.
	No serious financial problems.
	Rated living standards as medium.
	Rated income as enough or just enough to meet everyday needs.
<b>105–109</b> 15% of the sample	Ownership and social participation restrictions unlikely.
	Unlikely to economise a lot.
	No serious financial problems.
	Rated living standards as fairly high or medium.
	Likely to rate income as enough or more than enough to meet everyday needs.
<b>&gt; 109</b> 9% of the sample	No ownership or social participation restrictions.
	Did not economise a lot.
	No serious financial problems.
	Rated income as more than enough to meet everyday needs.
	Rated living standards as fairly high or high.

■ **How do older people compare with the working-age population?**

The results in Table 11 describe the variation in material well-being amongst older people. However, it is also of interest to compare the material well-being of older people with that of younger people. It was possible to make an approximate comparison by using data from the supplementary surveys of working-age people aged 18–64 and additional data from the survey of Māori aged 65–69.

All surveys gathered information on a common set of items and it was possible to assess for each individual in each survey the number of areas in which they reported restrictions or hardship.

There was a consistent pattern of younger people experiencing more hardship on average than older people for each of the sub-scales (Figure 8), and the total mean number of difficulties across sub-scales was much higher for younger than older people (Table 12).

**Table 12: Total mean restrictions/hardships for older (65+) and younger (18–64) people**

Mean number of restrictions/hardships	
Older (65+ years)	3.3
Younger (18–64 years)	8.3

**Figure 8: Mean number of restrictions/hardships reported for older (aged 65+) and younger people (aged 18–64 years)**

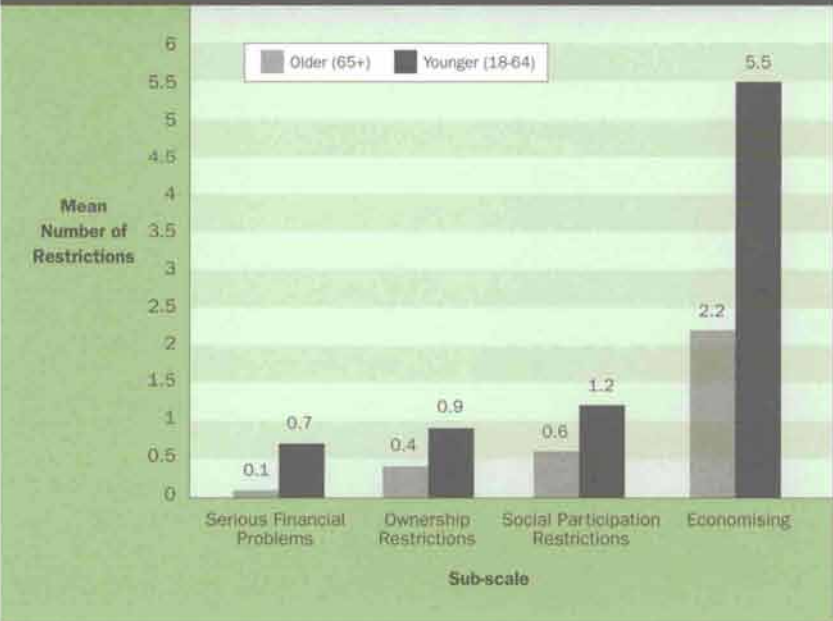


Table 13 shows the results for a similar exercise for Māori (using data from the survey of Māori aged 65–69) and non-Māori separately. For both Māori and non-Māori, there was also a pattern of increased restrictions/hardships for the younger compared with the older sub-groups.

The general impression conveyed is that relative to younger people (aged 18–64), older people (65+) experienced fewer hardships and restrictions. However, at present this finding is tentative. Further analysis of the similarities and differences in the material well-being of older and younger people (and across Māori and non-Māori) is being undertaken by the Ministry of Social Policy.

**Table 13: Mean restrictions/hardships for older (65–69 years) and younger (18–64) Māori and Non-Māori sub-groups**

	Māori	Non-Māori
Older (65–69 years)	7.8	4.2
Younger (18–64 years)	12.3	7.8





## Factors Associated with Material Well-being

The second question addressed in the research concerned factors associated with the material well-being of older people. This issue was examined through statistical analysis methods (linear regression models: discussed in detail in the full technical report cited previously) to identify the mix of economic, personal, social and related factors that were associated with variations in levels of material well-being as measured by the scale.

The following factors were identified.

### ■ Net income

As would be expected, a respondent's net income was a predictor of well-being both before and after adjustment for other factors. Two features of the association between income and well-being are of interest. First, the findings suggest that the relationship between income and levels of material well-being is one in which changes in weekly income have greater impact at lower income levels, and that this impact decreases as income increases.

**Figure 9:** Fitted models of net annual income and expected material well-being for single respondents and couples

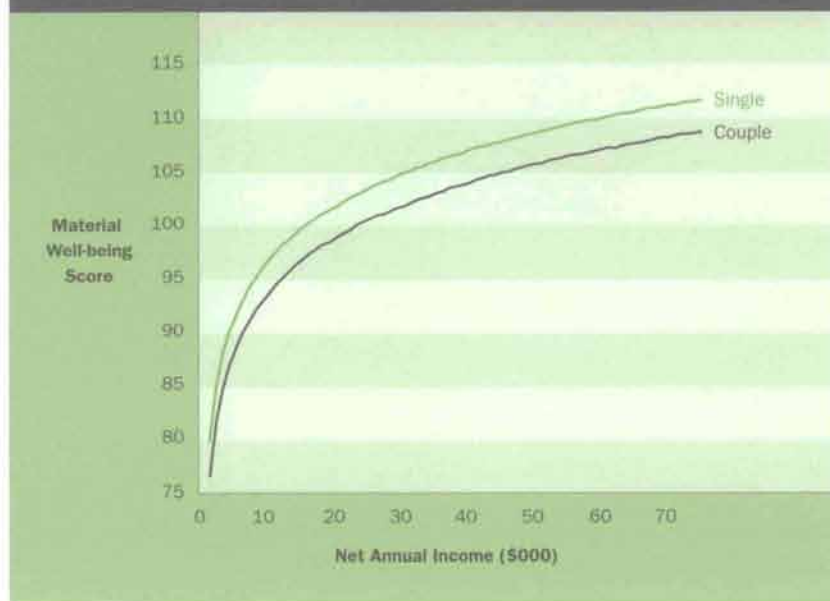


Figure 9 shows the relationship between net annual income and average or mean scale score for single respondents and couples. The reason for the single group having higher mean scale scores than couples is that the income required for a couple to achieve an equivalent level of material well-being is greater than for a single person. From the data on the relationships between income and household composition and scale scores, it was possible to make broad estimates of income equivalence for single respondents relative to couples. This analysis suggests that to achieve the same level of material well-being as a couple, a single person living alone required roughly 65% of the income received by a couple. (See the technical report.)

The results also indicate that there was only a modest relationship between income and material well-being. Variations in income explain only between 6% and 16% of the variations in levels of material well-being. This result is generally consistent with the findings of the 1974 survey (and other indicator studies) that found similar modest correlations between income levels and direct measures of material well-being.

### ■ Savings and investments

These factors may influence well-being indirectly by their effects on levels of income, as savings and investments can raise living standards by being progressively run down (spent) to permit a higher level of consumption than would otherwise have occurred. There is likely to be a direct effect in which savings and investments act as a buffer or cushion against unexpected economic shocks. Some indication of the extent to which this older population was cushioned in this way is illustrated by responses to questions asking whether in an emergency the respondents could raise: a) \$NZ1,500; and b) \$NZ5,000. Over 85% of respondents reported the ability to raise \$NZ1,500 and two-thirds claimed that they could raise \$NZ5,000. These results clearly suggest a population in which the great majority of respondents have the economic (or social) resources to raise money to meet an unexpected economic shock.

An implication of the significant role of savings and investments as a predictor of material well-being is that these results reinforce the commonly held view that saving for retirement makes a significant contribution to the material well-being of older people.

### ■ Accommodation costs

The role of these costs in determining living standards is likely to reflect the impact of accommodation on the respondent's disposable income, with those having high accommodation costs being disadvantaged relative to those paying low costs. The primary source of housing costs came from rental costs.

### ■ Economic history and stresses

The levels of material well-being of older people were also influenced by their exposure to various adverse life events and circumstances in the decade before retirement. These included marital breakdown, unemployment, bankruptcy, redundancy and similar changes. These findings highlight the role of long-term life course factors relating to stability of employment and family circumstances in determining the living standards of older people.

Short-term economic stresses such as unexpected bills or costs were also shown to have an impact on levels of material well-being. Respondents reporting exposure to three or more financial stresses in the past 12 months had mean material well-being scores markedly lower than those reporting no exposure to such stresses. Unexpected economic shocks can influence the material well-being of older people, and older people need to have resources to cushion themselves from the effects of such economic shocks.

### ■ Age

In agreement with the findings of the 1974 survey (Department of Social Welfare, 1975), this study suggests a small tendency for the material well-being of older people to increase with age. This is the opposite of what might be expected, assuming that reductions over time in savings, assets and the condition of household amenities should produce a decline in living standards as respondents became older. Possible explanations for the findings are:

- a process of disengagement, so that as people grow older their wants and needs tend to reduce, making them less vulnerable to material hardship;



- a cohort effect, such that older cohorts (e.g. born 1915–25, aged 75–85 years) experienced a more favourable economic life history than younger cohorts (e.g. born 1925–35, aged 65–75 years);
- some unmeasured factor (relating to lifestyle or capability) that influences both living standards and the likelihood of surviving into advanced age. Therefore, the older "survivor" group tends to be better endowed in respect of that factor than is the younger group.

This issue needs to be examined in greater detail.

### ■ Ethnicity

The data from the supplementary survey of Māori respondents aged 65–69 is being examined separately by the Ministry of Social Policy, and both data and results will be made available by the end of 2001. The present analysis has conducted only a preliminary analysis of the linkages between Māori ethnicity and material well-being. Although only a few older Pacific people (1.6%) were in the sample, an analysis of their material well-being was undertaken at a general level. However, we note that Pacific people who have recently migrated to New Zealand may be under-represented in the survey, and the findings are likely to be more indicative of Pacific people who have lived in New Zealand for some time.

### ■ Māori

The preliminary findings from the present study support other New Zealand evidence that Māori as a group experience greater material and social disadvantage than non-Māori. Māori had lower living standards, and most of this difference was explained by other variables in the analysis (income, savings, accommodation costs) correlated with both ethnicity and living standards. This suggests that the lower living standards experienced by Māori are largely a consequence of their economically disadvantaged position. However, even after other variables in the analysis have been taken into account, a part of the difference for Māori remains unexplained.

### Pacific peoples

Pacific peoples had lower living standards than Māori or European-Pākehā/other respondents. As for Māori, the results appeared to largely reflect economic disadvantage, but some difference remained even when these other factors had been taken into account.

### ■ Educational achievement and socio-economic status (SES)

Socio-economic differences were reflected in findings showing that respondents who had worked in a low SES occupation or had lacked formal educational qualifications had lower mean material well-being scores. Most of these differences were explained by other variables in the model (income, savings, accommodation cost, etc). However, even after other factors were taken into account, respondents of low SES or who lacked formal educational qualifications tended to have poorer material well-being.

### ■ Combined risk factors

Another way of addressing this issue is to examine the economic and social profiles of respondents having varied levels of material well-being. This comparison is given in Table 14. This Table shows the sample divided into eight groups ranging from those with material well-being scores less than 80 to those with scores over 109. For each group, the Table reports on the percentage of the sample who displayed each of the nine factors listed above.

Inspection of the table leads to the following conclusions:

1. With increasing material well-being there is evidence of corresponding reductions in levels of exposure to all of the risk factors.
2. The accumulative effects of the factors can be seen most readily by comparing the profile of those with scores less than 80 with the profile of those with scores over 109.

In general, the analysis suggests that the mix of conditions that maximise the risk of material disadvantage are:

- receiving an income equal to or less than that provided by New Zealand Superannuation;

- having no savings or assets;
- paying rent or mortgage;
- being exposed to economic stress in the last year;
- being exposed to adverse economic life events during the period from age 50–59 years;
- being aged under 70;
- being of Māori or Pacific ethnicity;
- having no formal educational qualifications; and
- having a low SES occupation or not having full-time employment at age 50–59.

The analysis suggests that respondents having seven or more of these factors were over 20 times more at risk of belonging to the most materially disadvantaged (10%) of the sample than those who had none of these features.

With increasing material well-being there is evidence of corresponding reductions in levels of exposure to risk factors. Amongst those with scores less than 80:

- 28% reported an income equal to or less than the value of NZ\$;
- over 50% reported having no savings and investments;
- over 50% reported paying rent or mortgage;
- over 60% reported recent or past exposure to economic stress;
- 53% were aged under 70;
- 27% were of Māori or Pacific ethnicity;
- nearly 70% had no formal qualifications; and
- just under 50% had low SES occupations at age 50–59.

Amongst those with scores over 109:

- only 11% reported an income equal to or less than the value of NZ\$;
- less than 5% had no savings or assets;
- less than 10% were paying rent or mortgage;
- 8% reported economic stress in the past year;
- a third reported adverse economic life events in the decade before retirement;
- a third were aged less than 70;

- less than 1% were of Māori or Pacific ethnicity;
- 40% had no formal educational qualifications; and
- less than a quarter had low SES occupations at age 50–59.

### ■ Other factors considered in the study

Other factors considered in the study included area of residence, partnership status, living with other household occupants, country of origin, value of own home, home production activities, number of children (ever) in family, currently having dependent children, gender (single people only), frequency of family contact, and provision of family support.

Most of these factors were found to be unrelated to variations in material well-being when the factors discussed in this section were taken into account. The only exception was some evidence suggesting that single people living in the Auckland region had lower material well-being.

**Table 14: Economic and social profiles of 3013 respondents by Material Well-being score category**

Measure	Material Well-being Score								For total sample
	< 80	80–84	85–89	90–94	95–99	100–104	104–109	> 109	
% With income equal to or less than that provided by NZS	28	40	23	26	20	16	12	11	18
% Having no savings or assets	54	35	27	27	20	11	5	4	16
% Paying rent or mortgage	52	43	36	27	19	11	12	9	18
% Exposed to economic stress in past year	62	57	43	35	29	19	17	8	25
% Exposed to economic stress during the period from age 50–59 years	61	53	56	49	42	36	38	32	40
% Respondents aged less than 70 years	53	49	35	37	33	24	30	32	31
% Respondents of Māori or Pacific ethnicity	27	13	7	7	4	1	3	0.6	4
% Respondents having no formal educational qualifications	69	75	70	71	66	64	53	40	62
% Having low SES occupation or not having full-time employment at age 50–59	47	50	40	38	32	34	24	23	33

**Note:** Apart from values less than 1, values have been rounded up to whole numbers.





## Conclusions

### ■ The living standards of older people

The first objective of the study was to devise a general description of the living standards of older people. This was achieved by developing a *Material Well-being Scale* that ranked older people from those with relatively poor material well-being to those with relatively good material well-being. This scale combined information on both the material restrictions respondents reported and their views of their material circumstances.

The development of this scale made it possible to assess the extent to which older people were experiencing hardship and material restrictions. The results of the analysis suggest that about 5% of the sample had scores of less than 80, with these scores implying quite marked material hardship and restrictions. A further 5–10% had scale scores in the interval from 80 to 90 implying they were experiencing some material difficulties. The implication of these results is that the current system of income support for older people has been successful in protecting the great majority of older people from hardship. However, there is a small minority of less than 5% who report experiencing quite marked material restrictions and difficulties with a further 5–10% reporting some restrictions.

An important issue in income maintenance policy for older people concerns the relationship between the material well-being experienced by older people and the material well-being of the remainder of the population. The availability of supplementary survey data on people aged 18–64 made it possible to compare the extent of hardship and restrictions reported by older people with the extent of hardship and restrictions reported by the working-age population. These comparisons showed that older people tended to report fewer material restrictions and difficulties than younger people, with this trend holding for both Māori and non-Māori respondents.

Collectively, the results suggest that despite a small minority who are facing considerable material difficulties, the population of older people emerge as being generally quite well off and are likely to be less prone to poverty and material hardship than the working-age population. Analyses are currently underway to examine differences between the working-age population and the population of older people.

### ■ The predictors of material well-being

The second objective of the study was to examine the factors that predicted variations in the living standards of older people. The analyses identified three sets of factors that operated cumulatively to influence the overall material well-being of older people. These factors were:

- current economic circumstances: net annual income, value of savings and investments, and accommodation costs;
- exposure to past and current economic stresses; and
- social background: household composition, age, ethnicity, socio-economic status.

These factors acted cumulatively so that the individual most at risk of poor material well-being was characterised by a mix of low income, no savings, high accommodation costs, a history of economic stress, being younger, Māori or Pacific ethnicity, and having held a low status occupation. These findings suggest that what determines levels of material well-being in old age is not one single factor (such as net annual income) but an accumulation of factors that represent the individual's current circumstances and previous life history.

## Policy Themes and Future Research

### ■ Policy themes

The results suggest a number of key themes around which policy could be based.

#### Current system of income support

The findings of this study suggest that the current levels of NZS and associated payments such as the Accommodation Supplement are sufficient to protect the great majority of older people from hardship and material deprivation. The findings do reinforce the importance of income from state superannuation to the well-being of older people. The estimates from this research suggest that over 60% of the income received by single respondents and couples is from this source. The results suggest that the current system of income support for older people has been successful in protecting the great majority of older people from hardship.

#### Assisting the minority in hardship

A minority of the older population is facing some degree of material and economic hardship. This raises issues about the response for that minority. Present findings suggest a number of policy criteria (income, savings and investments, accommodation costs, etc) that might be used to target supplementary assistance to this group.

#### Ensuring parity between older people and other populations

Although this study suggests that a minority of older people are facing some material hardship, an important question concerns the relativities between the material well-being of older people and that of other populations. A comparison of the older people in receipt of NZS compared to working-age beneficiary populations (e.g. single parents, the unemployed) has yet to be conducted; however, the preliminary results from this study suggest that older people as a group are faring relatively well compared to the working-age population as a whole. This invites a wider consideration of the income maintenance needs of various other sections of the New Zealand population with limited incomes.



### The importance of pre-retirement policies

Many of the factors influencing the material well-being of older people are likely to reflect events and circumstances that occurred before retirement rather than their current economic circumstances. These considerations suggest that an important component of social policy concerned with older people should focus on the likely contribution of pre-retirement events and circumstances.

Key issues that could be addressed include:

- encouraging saving and investment to meet economic needs in old age, and consideration of the mechanisms for encouraging such savings; and
- developing social policy to ensure high levels of employment and adequate income levels over the life course before retiring age.

### Ethnic differences

There were large and clear ethnic differences in overall levels of material well-being, with Māori respondents having material well-being scores that were, on average, markedly lower than those of European-Pākehā/other respondents. Pacific peoples had mean scores that were lower than both Māori and European-Pākehā/other respondents. These differences were largely explained by the economic disadvantages faced by Māori and Pacific respondents.

The findings on ethnicity clearly reinforce themes in New Zealand social policy concerning the importance of remedying the pervasive social and economic disparities between Māori and Pacific peoples and the remainder of the New Zealand population. The present study demonstrates that the well-documented material disadvantages experienced by Māori and Pacific peoples extend into old age. It also indicates that a large amount of this disadvantage reflects various economic disadvantages experienced by Māori and Pacific peoples in old age. The survey findings underwrite current policies aimed at reducing the social, educational and economic disparities between Māori, Pacific peoples and the rest of the New Zealand population.

## ■ Future research

The present report is the first in a series of Ministry of Social Policy reports aimed at examining variations in the living standards of older people and other groups, and at the social, personal and economic factors that influence the material well-being of these populations.

This report has attempted to lay the foundations for these by addressing two fundamental questions about issues of living standards amongst older people: is it technically feasible to develop a valid and reliable measure of material well-being based on direct indicators of living conditions (yes, it is) and what are the social, personal, and economic factors that predicted levels of material well-being amongst older people? This analysis suggests that a range of factors operate cumulatively and interactively to influence the overall well-being of older people.

This preliminary investigation raises a large number of issues that require further investigation. These include the need for:

- cross validation of conclusions using alternative measures of material well-being;
- refinement of measures of ethnicity;
- more detailed analysis of savings/investments and expenditure data including modelling of future living standards of older people given assumptions about working-age savings/investment behaviour; and
- detailed analysis of the basis for age differences in material well-being.

It is envisaged that future Ministry of Social Policy research reports on living standards will include the following:

- **The living standards of older Māori**

The present study included a preliminary analysis of the information collected in the supplementary survey of 542 Māori aged 65–69 years. A separate research initiative is being advanced by the Ministry of Social Policy regarding the living standards of older Māori. This includes facilitating work on Māori perspectives on living standards and undertaking a complementary study to the analysis reported here to investigate the living standards of older Māori aged 65–69 years.

- **The living standards of working-age people**

A further research initiative being advanced is the investigation of whether a living standards measure similar to the one developed for the present study can be constructed for working-age people, and ultimately to represent the total population. These measures can then be used to describe the distribution of living standards for different sub-groups in the population. The ability to construct a generic scale representative of the full population will enable direct comparisons to be made between different sub-groups.

- **The determinants of the living standards of working-age people**

A further survey is also planned, which will parallel the Survey of Older People, to provide comprehensive information about the potential determinants of variation in the living standards of working-age people and sub-groups of working-age people.

The data pertaining to the main Survey of Older People and supplementary sample of older Māori is available to other government agencies and bona fide researchers to conduct their own analyses, including those that extend the analysis that has been reported here. It is hoped that researchers will take up this opportunity, and those wishing to do so should contact Statistics New Zealand, or the Ministry of Social Policy, New Zealand.

Data pertaining to the Survey of Working-age People will be made available towards the end of 2001, following the completion of an analysis of this data by the Ministry of Social Policy.

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