Māori and the [potential] Demographic Dividend

NATALIE JACKSON *

Abstract

Throughout his esteemed career, Ian Pool has drawn attention to differences in the timing and speed of demographic transition between New Zealand's Māori and Pākehā (Anglo-Celtic origin) populations. Today we observe these 'dual transitions' as marked differences in age structure – in 2011, the median age of the Māori population was just 23 years, while that of the European/New Zealander/Other population was almost 40 years.

This paper outlines the implications of these disparities in terms of a recently articulated concept: the ‘Demographic Dividend’, to which Pool (2003, 2007a, 2007b) has contributed a unique ethnic dimension. The dividend arises – or has the potential to arise – as the maximum proportion of the population moves into the working age groups and then through the higher income earning years.

The paper argues that these windows of opportunity have not been capitalised and are thus already coming to an end for Māori. But it also argues that a third opportunity is arising, as the relatively youthful Māori population co-exists alongside its structurally older, primarily Anglo-Celtic counterpart; together comprising an economic dividend system that produces the potential for a collateral dividend.

In 2011 the median age of New Zealand’s Māori population was approximately 23 years; that of the European/New Zealander/Other (hereafter European) population, just on 40 years (Statistics New Zealand, 2010).¹ These demographic disparities, arising from differences in the timing and speed of demographic transition (Pool, 1991), have been argued to have many negative implications for Māori, for example disproportionately exposing young Māori to the risk of unemployment (Jackson, 2002; Pool, 2003).

* Professor of Demography and Director, National Institute of Demographic and Economic Analysis, University of Waikato. Email: natalie.jackson@waikato.ac.nz.
However, the same disparities have potentially positive implications. For example, a far greater proportion of the Māori population is now located at the ages at which most educational qualifications are gained. Not only does this situation proffer well for Māori in absolute terms, but long-standing gaps in educational attainment between Māori and European have the potential to reduce simply because of the underlying differences in age structure (Jackson, 2002, 2008). As the total New Zealand labour supply dwindles due to projected population ageing, there is significant potential for Māori to enjoy increased employment and prosperity in both absolute and relative terms (Jackson, 2011a-c).

Converting this opportunity to reality, however, requires foresight, strategic planning, and investment - it will not happen of its own accord. Central to the argument is the increasingly acknowledged concept of the ‘demographic dividend’ (sometimes referred to as the demographic ‘bonus’ or ‘gift’) (Higgins & Williamson, 1997; Bloom & Williamson, 1998; Birdsall, Kelly & Sinding, 2001; Mason, 2003; Bloom, Canning & Sevilla 2003; Bloom & Canning, 2003; Jackson & Felmingham, 2004; Pool, 2003, 2007a, 2007b; Ogawa, Chawla & Matsukura, 2010).

In its present formulation the demographic dividend refers to two consecutive windows of opportunity which occur during demographic transition (the journey from high to low mortality and fertility rates). The first potential dividend arises as the proportion of the population in the younger working ages rises vis-à-vis the proportion that is notionally dependent (0-14 and 65+ years); the second as increasing proportions of older workers pass through the (potentially) higher income earning and saving age groups.

This paper will argue that a third interpretation, not previously spelled out in existing literature, may also exist for Māori, and thus for New Zealand. This is a collateral demographic dividend which has the potential to emerge from opportunities arising where a structurally younger population (Māori) co-exists alongside a much older population (European). However, it is acknowledged that the dividend concept has thus far been conceptualised and examined as occurring at national level only, because it is primarily concerned with national level labour forces and economies. Challenging this notion, the paper will argue that, if it is legitimate to see adjacent older and younger populations within (for example) Asia as collectively comprising an overall economic dividend system (Ogawa et al.,
2010: 115), it is equally relevant to apply the concept to a relatively large subpopulation such as Māori, which is at a markedly different stage of its demographic transition to the national population, of which it is part (Pool, 1991, 2003, 2007a; see also Jackson, 2008: 9 on Australia).

Three other caveats exist. The first is that currently several approaches are being used to explore the tempo and quantum of the dividend and none is yet considered definitive; here I also use more than one approach. The second, as indicated above, is that the classification ‘Māori’ has been subject to many changes over New Zealand’s history. The present ‘multiple ethnic origin’ classification means that a sizeable proportion of the current and projected Māori population is enumerated in both the Māori and non-Māori populations – and vice versa. This does not greatly affect the relative age structures of each population, nor the argument presented herein, but it does to some extent compromise its rigour (see Pool, 1991: 11-25). Thirdly and relatedly, the assumption of Māori fertility falling from its present 2.8 births per woman but remaining a relatively high 2.5 across the projection period underpins the discussion. This decline may or may not eventuate – see Didham & Boddington, also Johnstone, in this Issue. However, even the high variant (TFR remaining at 2.8) makes little difference to the proportions in each age group in 2026. It would also enhance the central proposition of a collateral dividend.

The structure of the paper is as follows. First the demographic dividend concept is outlined in a little more detail. Māori demographic trends are then considered in that context, and in the context of overall demographic trends unfolding across New Zealand. The argument for a collateral dividend is then outlined. The paper concludes by echoing comments made by most scholars investigating the dividend’s opportunities. All are emphatic that just having the demographic dividend present does not ensure it will result in an economic dividend. The economic gains of the first dividend can be realised only if employment opportunities expand as rapidly as the number of persons seeking new jobs (Ogawa et al, 2010: 114) and there is a priori investment in human capital, particularly education and related institutions. Those of the second dividend are founded on a successfully managed first dividend, and similarly require a pro-active policy environment which facilitates productivity and saving – and not least, adequate incomes from which to save. The proposed third dividend (Jackson, 2011a, 2011b) requires
elements of both. In sum, as Pool (2003, 2007a, 2007b), Ogawa et al. (2010) and many others have argued, the demographic dividend period defines a number of possibilities, but their outcome is heavily dependent on non-demographic factors, the most pertinent of which is the creation of an appropriate policy environment for capitalising on the opportunities.

The Demographic Dividend

The demographic dividend first appeared in the literature during the 1990s when economic demographers looking at developing countries began to use the term ‘demographic bonus’ (Ogawa et al., 2010: 97). Scholars came to realise that the correlation between economic growth and population growth in these countries was not as strong as that between economic growth and changes in the age structure; specifically, changes in the ratio of the working age population to those at younger and older ages, being driven by demographic transition (beginning with Chesnais, 1990).

At first only one dividend was identified – that is now understood as the first. Initially it was understood to be present when the maximum proportion of the population was at the working ages (15–64 years) and the minimum proportion was thereby notionally dependent (Higgins & Williamson, 1997; Bloom & Williamson, 1998; Fink & Findlay, 2007; Bloom, Canning & Sevilla, 2003). It is now considered to comprise two distinct and consecutive phases – the first arising as the proportion of the total population in the working ages increases, thereby increasing the Potential Support Ratio (PSR – the ratio of people at working age to those notionally dependent); the second as the proportion in the working age population passes its peak, and the support ratio begins to decline.

During the first dividend years – which may last two or three decades - the working age / primary income-earning population grows at a faster rate than the total population. The growth is pronounced at the younger working ages which receive the increased waves of labour market entrants. The second dividend begins – or has the potential to begin - when prime working age adults, who now anticipate longer life expectancy, save more to provide for their retirement (Ogawa, et al., 2010: 103, 114). This stage is characterised by an increase in the share of individuals who are reaching the end of their income-generating and childrearing years. During this phase, a greater proportion of the working age population moves through
the (potentially) higher income earning and/or saving age groups. It occurs
approximately from the point that the maximum proportion of the
population in the working ages is reached, but significant proportions have
not yet arrived at the oldest ages where they are notionally dependent –
and/or begin to use their accumulated savings.

Of critical importance, the period of the first dividend is argued to be
finite, because it is primarily demographically driven, while that of the
second dividend is potentially permanent, if there has been appropriate
investment in the first dividend (Ogawa et al., 2010: 103):

... Unlike the first demographic dividend, the second demographic
dividend is not transitory, and may lead to a permanent increase in
capital deepening and income per effective customer. The second
dividend, however, does not occur spontaneously but can [only] be
bought about if consumers and policy makers are sufficiently forward-
looking and respond effectively to forthcoming demographic changes –
in particular by encouraging the old-age support system that substitutes
capital for transfer wealth [my insertion].

Indeed Ogawa et al. (2010: 115) caution that the monetary value of the
second demographic dividend may be compromised in a pay-as-you-go form
of welfare state, such as New Zealand’s. They show that its magnitude
differs markedly among the Asian countries they examine, because the
choice of financing method [for income support in old age] affects the
accumulation of capital available to be utilised (see also Lee & Mason,
2011). The model is also challenged as cohorts of different sizes move
through the age structure (Pool, 2003, 2005; 2007a, 2007b), a point
returned to below.

Finally, it has been proposed that both developing and developed
countries can mutually benefit from their bifurcated demography:

People from ... countries where the first demographic dividend has
already disappeared can invest their assets accumulated in the form of
the second demographic dividend in dynamically growing economies ... 
that are enjoying the first demographic dividend and, by doing so, bring
a sizeable amount of financial gain back to their home countries. 
(Ogawa et al., 2010: 115).

It is the central proposition of this paper that precisely the same
‘dividend system’ argument can be made for New Zealand. Specifically,
proactive investment in a sub population that remains relatively youthful
(Māori) by its co-existing sub population, which is significantly older and
for which the first dividend has definitely ended (European-origin New Zealanders), could be mutually beneficial.

Indeed, as each successively larger cohort from the (European-origin) Baby Boom generation retires, it will be replaced by a successively smaller cohort at labour market entry age (outlined below). This situation will usher in a demographically-tight labour market, in which youthful cohorts will be in short supply and great demand – prominent among Māori youth.

A further characteristic of the total New Zealand age structure that will ensure this tightness is the existence of a largely migration-driven ‘bite’ out of the age structure across ages 25-39 (Jackson, 2011c). Located between the two broad age groups at either end of the age structure, the three dynamics are together creating a vacuum in the labour market which can be expected to draw in younger and older workers alike.

Given this situation, the importance of recognising and proactively investing in the dividend years for Māori in order to transform them to economic windfalls cannot be over-emphasised. As Pool (2007a, 2007b) and others argue, the dividend years are more appropriately termed ‘windows of opportunity’. The phenomenon was not at all well understood by the developed countries at the time they entered their first dividend phase, despite it delivering to them empirically verifiable economic benefits (Mason, 2003). As a result many, such as New Zealand, squandered their first dividend by not assisting their large ‘baby boom echo’ cohorts into the labour market – for example during the high structural unemployment of the early 1990s (Pool, 2003, 2007a, 2007b). Ironically, it appears to be only with the emergence of the first dividend in the developing countries and its simultaneous loss in the developed countries that the phenomenon is being afforded the recognition it deserves (Jackson, 2003).
The Demographic Transition and Māori

Projected data for 2011 illustrate New Zealand’s current demographic disparities by major ethnic group (Figure 1). The relative youth of the Māori population means that the proportion in the key working age groups 15–64 years (61 percent in 2011) is somewhat lower than for European (65 percent), because a greater proportion of Māori has yet to reach that age.

These disparities also convert into significantly different proportions of the total population accounted for by Māori at different ages, compared with their 14 percent national share (Table 1). Māori account for approximately 21 percent of all 0-14 year olds, and for 18 percent of all 15-24 year olds. By comparison, they account for less than 5 percent of the nation’s elderly. Due to their relative youth, Māori also comprise a smaller proportion of the total working age population (13 percent) than their total population share.

Figure 1: Age-sex structure by major ethnic group* (2011 on 2006 Base)

* Based on multiple count ethnicity.
Table 1: Population share (%) by major ethnic group* and broad age group, projected 2011

<table>
<thead>
<tr>
<th></th>
<th>Māori</th>
<th>European/ New Zealander</th>
<th>Pacific Island</th>
<th>Asian</th>
<th>Total</th>
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<td>61</td>
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<td>Total</td>
<td>14</td>
<td>69</td>
<td>7</td>
<td>10</td>
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*Based on multiple count ethnicity.

Continuing demographic transition is causing each of the age structures in Figure 1 to age, but not yet significantly for Māori, due to a relatively high birth rate (2.8 births per woman in 2009) combined with a large proportion of the population at the key reproductive ages. Nevertheless, medium case projection assumptions indicate that the proportion of Māori aged 65+ years will have doubled by 2026, to 8.5 percent, while that at 0-14 years will have fallen from its present 34.2 percent to 31.9 percent, and in the key working age groups, from 61.0 to 60.0 percent – a proportion which will by then be almost identical for the Māori, European, and Pacific Island populations. However, the latter similarity will be superficial only. The bulk of Māori will still be at, or approaching, the younger working ages, while for European the largest proportion of workers will be close to retirement. Indeed, by 2026 the median age for Māori is projected to be just above 25 years, compared with 42 years for European. These trends portend well for the opportunities indicated above, as the European population ages and Māori retains its relative youth.
The Demographic Dividend and Māori

Figure 2 shows changes for the three broad age groups on which the demographic dividend argument is premised (0-14, 15-64, and 65+ years). It should be noted that changes in the classification of Māori over the period depicted (1911-2026) introduce an unknown but unavoidable element of error. Broken trends lines are shown for the period 1981-1991 during which a number of classificatory changes were introduced. What is important is that the trends follow a similar trajectory, and thus any error will be in terms of quantum rather than direction.

The proportions of Māori aged 0-14 and 15-64 years diverged from the early 1960s, when Māori fertility rates began to fall dramatically, as Māori experienced one of the fastest fertility declines ever recorded (Pool, 1991: 166-175). By the turn of the 21st century the 0-14 year old population had declined from 49 percent to 37 percent, while the working age population had increased from 49 to 60 percent. As is typical at that stage of demographic transition, the divergence did not yet involve any notable increase in the proportion of the population aged 65+ years, while such movement clearly began soon after. In 2006, the proportion aged 15-64 years peaks at around 61 percent, followed by modest (projected) decline. The data indicate that this drop off in the working age population will remain modest throughout the projection period, due to the proportion aged 0-14 years remaining above 30 percent.
Figure 2: Relative changes in size of broad age group for Māori*, 1911-2006 and projected 2006-2026


Notes: * Māori classification has been subject to many changes over time. These compromise the rigor of longitudinal analysis (see Pool, 1991: 11-25). In Figure 2, data until 1986 are based on various measures of ‘blood fraction’. Significant changes were introduced between 1976 and 1986, following which the present multiple count classification was introduced.

In order to relate these changes more directly to the way in which the demographic dividend is measured from an economic perspective, we turn to the Potential Support Ratio (PSR), an index which expresses the population at the working ages as a ratio to the population which is notionally dependent (0-14 and 65+ years). That is, it converts the three trend lines in Figure 2 to a single index:

\[
PSR = \frac{\text{Population aged 15-64 years}}{\text{Population 0-14 years} + \text{Population 65+ years}}
\]

Figure 3 shows the PSR for the observed period 1911-2006 and projected to 2026. Following the argument of Ogawa et al. (2007) the initial decline in the PSR ending in 1961 can be interpreted as reflecting the substantially increasing proportions at 0-14 years shown across the same period in Figure 2. Those increases were driven by both rapidly improving childhood mortality and sustained high pre-transition birth rates (Pool, 1991: 112-121, 140-152; Pool & Cheung, 2003; Statistics New Zealand, 2009), while the improvements in life expectancy were still many years off
showing up at older ages. By the mid-20th century, the significantly increased proportions at the younger ages reduced the proportions at both working age and older age.

**Figure 3: Potential Support Ratio, 1911-2006 and projected 2006-2026, Māori**

![Potential Support Ratio Graph](image)

Source: Statistics New Zealand (various years) Census; Population Statistics New Zealand (2010) Projected ethnic population of New Zealand, by age and sex, 2006 base - 2026 update, Series 6.* See notes to Figure 2.

The subsequent rise in the PSR from 1961 through to 2006 correlates with the declining proportion at younger ages as fertility rates fell and increasing proportions moved into the working age groups, while life expectancy-related increases at older ages (65+ years) were still having a limited impact. This illustrates the classic (one dividend) version of the demographic dividend, which is held to begin as the working age population begins to increase, *vis-à-vis* those ‘notionally dependent’.

Before considering the subsequent decline in the PSR beginning in 2006, it is worth reflecting for a moment on the almost identical PSRs occurring around 1911 and 1981. The direction of the trends aside, the data indicate that at both observations there were between 1.2 and 1.3 people of working age per person notionally dependent. Indeed for the entire period 1911 to 1956 there were more people at working age than totally dependent, so why might those years not have translated into a dividend for Māori? The answer is well recorded - Māori were an impoverished population at the time, living at subsistence level and largely outside the mainstream economy (e.g., Pool, 1991). The fact that today’s
middle-aged and older Māori are relatively disadvantaged (Pool, 2003: 35) shows a continued failure on the part of successive governments to invest in that opportunity while it existed, while at the same time the European-origin population was benefitting greatly from its own dividend years.

As we see from Figure 3, the PSR for Māori begins to fall from 2006, driven now by the increasing proportions at older ages shown previously in Figure 3. The situation is projected to continue until 2021, when the PSR again indicates a small increase, this time seemingly because of accelerated decline at 0-14 years, or posed alternatively, a corresponding inflow into the working age population.

It could be argued that the anticipated increase in the PSR between 2021 and 2026 might represent a second bite at the first dividend. However, as will be outlined below, the underlying data indicate otherwise, suggesting that Māori age dependency will quickly inhabit the space left by its youth, and the increase in the PSR will be short-lived.

From this perspective then, the ‘classic’ first demographic dividend for Māori began around 1961, when the proportion at younger ages began to fall and the working age population (and PSR) began to increase, and ended around 2006, when the PSR began to decline as age dependency began to increase. Such a brief window of opportunity would correlate with the rapidity with which the Māori fertility rate declined during the 1970s (Pool, 1991: 170): the more rapid the decline, the more rapid the pace of structural ageing, and the more rapid the loss of the first dividend years.

However, both Figures 1 and 2 also indicate very clearly that the Māori population will remain extremely youthful for the foreseeable future, and that large cohorts will continue to enter the working ages for many years yet, thus the indices illustrated here do not tell the whole story. Indeed, Pool (2007b, 2007c) proposes that a more relevant indicator for the first dividend period is the period that the proportion aged less than 15 years remains above 30 percent, since it is timely investment in that youthful population that has the potential to bring about the dividend. By contrast, the dividend is realised during what is presently observed as the dividend period. As Figure 2 shows, the proportion of Māori aged less than 15 years may have fallen significantly from its 1961 peak of almost 50 percent, but is still above one-third (34.2 percent in 2011), and is projected to remain above 30 percent for the foreseeable future (31.8 percent in 2026).
With these methodological limitations and conundrums in mind, Figure 4 uses the above data for Māori to again depict the classic demographic dividend model, but in a way that emphasises the all-important need to ensure timely investment in the youthful bulge before it reaches labour market entry age. It posits a first dividend potential’ stage, followed by a stage in which the dividend is realised (assuming successful management of the first stage) - and during which the potential second dividend also emerges. Finally (with the same caveat as the second stage), it depicts a third stage, during which the second dividend may be realised (demographers will note the similarity to Notestein’s three-stage model of demographic transition).

What makes this index useful is that the declining PSR across the first stage, as the proportion aged 0-14 declines, can also be interpreted as ‘time running out’ for investment in those youth. However, from that perspective, it could also be thought that it is already ‘too late’ to invest in young Māori in order to capitalise on the dividend, a proposition that is countered by Figure 5 below.

**Figure 4: PSR-based schematic model of potential and realised demographic dividend**

![Figure 4: PSR-based schematic model of potential and realised demographic dividend](image-url)
By comparison, Figure 5 shows what the model would look like if the ‘potential first dividend’ stage was understood to span the period during which the proportion aged 0-14 years remained above 30 percent. Under these conditions, the peak has also passed, but the potential clearly remains viable, although its declining trajectory should evoke the same sense of urgency: the remaining period in which to invest, so that the first dividend – and ultimately a second – can be realised, is rapidly running out, ending in a little over a decade. As Pool and others have long argued, this is a one-off, finite opportunity. To squander it now that we understand the phenomenon would be untenable.

Figure 5: Youth-based schematic model of potential demographic dividend

It can also be argued that a youth-based index is more appropriate for anticipating the dividend period than changes in the proportion at working age, because of other equally dramatic changes which occur as the demographic transition draws towards its end, namely the development of age structural transitions (ASTs) (Pool, 2003, 2005, 2007a, 2007b; Tuljapurkar, Pool & Prachuabmoh, 2005). As these ‘disordered cohort waves’ flow through the age structure (see Figure 6) they will cause the working age population to wax and wane in size, as, for example, a large wave enters and a small one leaves. Such a wave is present in Figure 3 and explains why the proportion of Māori at working age, and thus the PSR, is projected to shift from a decline to increase between 2021 and 2026. The period marks the arrival at labour market entry age of the large cohort born since 2003 (shown in Figure 1). But as Figure 6 indicates, the related
increase in the PSR is likely to be short-term, because of the distended wave which will by then be at 50-64 years and about to move into the ‘age dependency’ population.

**Figure 6: Disordered cohort waves, Māori population (percentage at each age 2006-2026)**

![Disordered cohort waves, Māori population (percentage at each age 2006-2026)](image)


These disordered waves become especially important when the focus shifts to the potential second dividend, when cohorts of different size pass through each income-earning age group. They make it clear that anticipating the quantum and tempo of the second dividend can no longer be based on the relative size of the working age population per se, but must instead take into account changes in cohort size.

For Māori to be in a position to reap the second dividend, however, depends on the extent to which the remaining first dividend potential is invested in, here proposed (reflecting Pool, 2007b, 2007c) as the period during which the proportion of Māori aged less than 15 years remains above 30 percent. For this reason, further discussion of the second dividend and its potential is left to a future paper. In the interim, the third or potential ‘collateral’ dividend alluded to earlier holds equally – if not more - certain opportunities.
Māori, the New Zealand Labour Market and the ‘Collateral’ Demographic Dividend

The ‘third’ potential dividend awaiting the Māori population – and thereby all New Zealand – arises from the coincidence of living alongside the European population which is substantially further advanced in the structural ageing process. To illustrate this argument some unique features of New Zealand’s current experience of population ageing are briefly outlined, and then the coincidence of the two differently unfolding transitions for Māori and European is returned to.

New Zealand’s structural ageing is not [only] of the conventional kind (Jackson, 2011c). Rather, it is being accelerated through a largely migration-driven bite in the age structure at young adult ages which is causing the median age to increase at a faster rate than would otherwise be expected given New Zealand’s relatively high birth rate. This bite – which in many sub-national areas is resulting in a pronounced hour-glass structure – ushers in a very profound problem for the labour market. As the nation’s Baby Boomers start entering the retirement zone en masse this year, who will replace them?

Figure 7 illustrates the unfolding scenario. As the first significantly distended baby boom cohorts born during the 1940s retire they will be more than replaced by the cohorts currently aged 20-29 years and the even larger 15-19 year old ‘blip’ that was born around 1991 (1989-1993). However, unless net international migration is very strong, the deep bite above the baby blip will create a vacuum that will reinforce an increasingly demographically tight labour market. Thereafter, as each successively larger wave of boomers retires, it will be ‘replaced’ by a successively smaller cohort. There will be little excess labour supply until the large recently born baby blip arrives at labour market entry age in the mid- to late- 2020s, and even that (excess) will be debateable as its arrival will coincide with the retirement of the largest boomer cohorts.
If realised, the assumption of a net international migration gain of 10,000 per year in Statistics New Zealand’s medium case projections will to some extent offset these dynamics at the national level, the numbers of ‘entrants’ to ‘exits’ not expected to reach one for one until the mid-2020s. But it may scarcely be noticed in the non-urban areas, where 42 percent of New Zealand’s 67 territorial authorities (TAs) already have fewer people at labour market entry than exit age because of even deeper bites in their age structures (Jackson, 2011c).4

As proposed above, for Māori this situation contains many potential opportunities, vis-à-vis European. For the period 2006-2011 the 15-19 year old Māori population will grow by 2.0 percent; its European counterpart by just 0.2 percent (Figure 8). Between 2011 and 2016, the 15-19 year age group will decline in size for both populations, but more so for European (-6.5 percent) than Māori (-2.4 percent). Growth will then resume, the legacy of recent increases in fertility, with that for Māori between 2021 and 2026 substantially greater than for European. By 2026 the absolute size of the Māori 15-19 year old age group will be around 25.0 percent greater than in 2006; for European it will be 3.2 percent smaller. Significant differences in absolute size will of course remain, but the 15-19 year old Māori population will by then be around 38 percent the size of its European counterpart, compared with 29 percent in 2006.
While New Zealand’s young will be in shorter supply and greater demand over the next few decades, an increasingly larger proportion will be young Māori. The relative youth deficit will almost certainly result in an increase in competition for young workers – between industries, regions and countries – including across the Tasman where more than half of Australia’s local government areas (LGAs) already have similar hour glass age structures to New Zealand, and there are fewer labour market entrants than exits (Jackson, 2009). It should be remembered that on a daily basis, labour supply is needed locally, not nationally. A growing literature indicates that the end to excess labour supply in the non-urban regions is spreading inexorably and is unlikely to reverse (Pool, Baxendine & Cochrane, 2004; Pool et al., 2005a-f; Jackson, 2011c). This is a major opportunity for Māori who have strong cultural and economic attachment to many of the regions where labour supply is short. Clearly a nation’s regions comprise its labour market system, albeit one located within a global system. This paper argues that its sub-populations also comprise a labour market system, and, in New Zealand’s case, come replete with collateral opportunities for economic growth.
Summary and Discussion

This paper has outlined significant demographic differences between New Zealand’s Māori and European-origin populations, and has linked them to the concept of the demographic dividend. The dividend arises – or has the potential to arise – as each population passes through a particular point in its demographic transition. During these years, the maximum proportion of the population moves into the key working and income-earning age groups, and the minimum (comprised of youth and the elderly) is notionally dependent. With proactive and timely investment in the youthful base of the population, there is potential to convert the demographic dividend into two successive economic windfalls, the first arising as fertility decline causes youthful dependency to fall and the last large waves of young adults flood into the working age population, the second as the latter age and move on into the higher income earning age groups. However, the window of opportunity to invest in the first dividend is shown to be fleeting, while failure to invest in that stage seriously compromises the second.

Reflecting these theoretical propositions, this paper has shown that the first window of opportunity for Māori is all but over, and with it at least some of the potential gains of the second. It has confirmed this situation from the perspective of two different indices - the classic Potential Support Ratio (PSR - the ratio of people of working age to those notionally dependent), and the period of time that the proportion of the population aged 0-14 years remains above 30 percent. Importantly, the latter index extends the period of opportunity for maximum return on investment (as in two potential economic windfalls) until approximately 2021. Age structural transitions accompanying the trends further reinforce the value of the youth-based index, with disordered cohort waves in some years causing the PSR to expand, and in others to contract, making it difficult to be certain when the classic first dividend period begins and ends.

But the paper also argues that there is a third window of opportunity which holds particular promise for Māori. Similar to the first dividend potential, the period will also be fleeting, but it is arising in both absolute and relative terms as the relatively youthful Māori population co-exists alongside its structurally older counterpart. Together, the demographic
disparities can be seen as comprising an ‘economic dividend system’ which contains the potential for a ‘collateral dividend’ for Māori.

The collateral dividend will arise as the total population ages. Young New Zealanders, disproportionately Māori, will be in ever-shorter supply and ever-greater demand, as each successively larger cohort of baby boomers retires and is replaced by a successively smaller cohort of labour market entrants. A deep, largely migration-driven, ‘bite’ in the present New Zealand age structure across the young adult age groups will compound increasing competition for labour market participants (both nationally and globally) and will arguably result in higher wages – and also higher labour and consumption costs that will need to be factored in. This demographic bite is already pronounced in the non-urban areas where Māori have a high level of social, cultural and economic interest, and will provide Māori with many opportunities: already 42 percent of New Zealand’s territorial authorities have fewer people at labour market entry than exit age.

Overarching the arguments presented in this paper is the imperative to recognise the opportunities offered by the dividend years and to capitalise on them in a timely and proactive manner, by investing strategically in the education and training of young Māori, and in the related infrastructure. The third potential dividend, the collateral dividend, has similar characteristics to the first window of opportunity, and if successfully managed, could see a second economic dividend realised.
Notes

1. The ethnic concept used in the projections in this paper is defined by Statistics New Zealand as ...the ethnic group or groups that people identify with or feel they belong to. Ethnicity is self-perceived and people can belong to more than one ethnic group. For example, people can identify with Māori ethnicity even though they may not be descended from a Māori ancestor. Conversely, people may choose to not identify with Māori ethnicity even though they are descended from a Māori ancestor’ (Statistics New Zealand, 2010). Of the 565,329 people identifying with Māori ethnicity at the 2006 Census, 47 percent (266,934) also identified with non-Māori ethnicities (Statistics New Zealand, 2010: 19). This resulted in a total population ‘overcount’ of 9.5 percent.

2. It should be noted that New Zealand’s Baby Boom began earlier (late 1930s), peaked higher and lasted longer than its counterparts in the United States and Europe (Pool 2007d). Here I am referring to the increasingly large cohorts born from the early 1940s.

3. I have elsewhere termed this generation ‘Gen TGYH’ (‘Thank God You’re Here’) – see Jackson, 2011.

4. Until 2010, there were 73 territorial authorities – this number was reduced with the amalgamation of Auckland local government into one council in 2010.

References


Māori and the (potential) demographic dividend


