



Can labour force participation keep rising?

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The labour force participation rate has been consistently rising over the past 30 years in New Zealand, providing a welcome boost to the labour supply. The participation rate rose from 64% in 1994 to 72% in 2024, accounting for 41% of the growth in the labour force. With an aging population – and workforce – further rises in participation would help fill labour force shortfalls. But can participation keep rising?

Although there is some uncertainty around exactly where participation will head, it is clear that the strong participation rises of the past 30 years can't be sustained into the future as our population further ages. With flat participation and slowing population growth, we will either need to improve our productivity or increase migration if we want to maintain the economic momentum that we have become accustomed to. This challenge is particularly acute for regions with rapidly aging populations, as they will face a reduction in economic activity if productivity doesn't improve.

Sustaining migration beyond our long-term forecast level of 30,000 per year will become increasingly challenging as the world's population growth slows. Although productivity improvements are often placed in the 'too hard' basket, they may be a more realistic option than increasing migration. With a slowing global population, developed and aging countries like New Zealand will increasingly be competing for a small pool of migrants. Strong migration into New Zealand will also face political resistance, particularly if it is rapid and not accompanied by timely investment in infrastructure.

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