



**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
HĪKINA WHAKATUTUKI

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# Quarterly Labour Market Report

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November 2019

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## Ministry of Business, Innovation and Employment (MBIE)

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## Purpose

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The Quarterly Labour Market Report presents MBIE's assessment of the overall state of the labour market in the September 2019 quarter, with a deeper focus on some areas of potential concern. It brings together the latest findings from MBIE's labour market monitoring programme, Stats NZ and other key research. The main data source for this report is Stats NZ's Labour Market Statistics release, which includes the Household Labour Force Survey (HLFS), the Quarterly Employment Survey (QES) and the Labour Cost Index (LCI).

The report focuses on three areas:

- The workforce, specifically how Pacific Peoples, people with low qualifications and disabled people are faring, and breakdowns of underutilisation and broad-level income survey results.
- Business confidence, skill matching, the ease with which enterprises can find labour and results from the National Survey of Employers.
- Longer-term trends around labour force participation and effects of the new outcomes-based migration measure on the Household Labour Force Survey.

A *Spotlight* section is also included, which focuses this quarter on the Taranaki region.

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# New Zealand's Labour Market

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- The labour market remained tight in the September 2019 quarter, with a slight rise in the unemployment rate, but a fall in underutilisation and strengthening wage growth.
- Annual wage inflation has strengthened due to a rise in the minimum wage, major pay settlements (teachers, nurses and police), and overall labour market tightness.
- Employment rose by 6,000 people over the quarter, to a total of 2.641 million employed. Filled jobs rose by 7,300 over the quarter.
- Over the year, the number of people in full-time employment increased by 51,800 (including 33,400 more women), while the number of people in part-time employment decreased by 28,000 (including 21,900 fewer women).
- The unemployment rate rose to 4.2 per cent. The Māori unemployment rate fell to 8.0 per cent while the Pacific Peoples unemployment rate rose to 7.5 per cent.
- The underutilisation rate fell to 10.4 per cent and the underutilisation rate for women fell to 12.6 per cent, the lowest since 2008 (prior to the Global Financial Crisis). These decreases were due to falls in both the number of underemployed and the potential labour force.
- The NEET (not in Employment, Education or Training) rate rose to 10.6 per cent (up from 10.3 per cent last quarter). The NEET rate for 15-19 year olds fell to 7.5 per cent while the NEET rate for 20-24 year olds rose to 13.5 per cent.
- Jobseeker Support recipients have risen by 10.2 per cent since September 2018, with 4.8 per cent of the working-age population now receiving Jobseeker Support. This was largely due to a 12.9 per cent increase in Jobseeker Support receivers who were classified as Work Ready.<sup>1</sup>
- Firms are reporting low business confidence and weak profitability. Online job advertisements have remained fairly flat in the September quarter and firms have cut back on their hiring.

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<sup>1</sup>Ministry of Social Development, Benefit Fact Sheets, September 2019 quarter

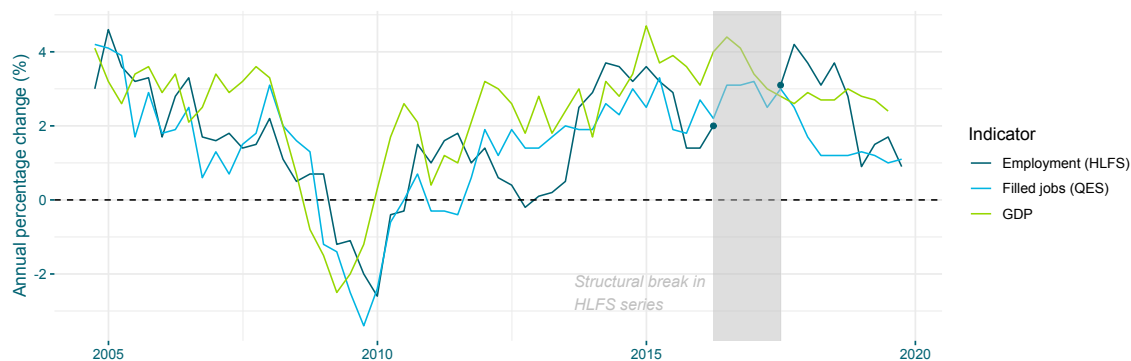
# 1. How is the Workforce faring?

## ■ HIGHLIGHTS

- The overall state of the labour market is generally positive, with a fall in the underutilisation rate despite a slight rise in the unemployment rate.
- Strong income growth was driven by a large increase in the minimum wage and major pay settlements.
- The prospects for low-qualified workers are improving, as both overall qualification levels and the mean hourly pay rates for people without qualifications are increasing.

The labour market remained tight in the September 2019 quarter, with a slight rise in unemployment, but with the underutilisation rate falling to 10.4 per cent, the lowest since 2008. Employment rose by 6,000 people and filled jobs rose by 7,300 over the quarter.<sup>2</sup> Annual employment growth is forecast to average 1.4 per cent, or 39,400 more workers each year, over the next ten years.

Figure 1: Indicators of labour demand



Source: Household Labour Force Survey (HLFS), Quarterly Employment Survey (QES), National Accounts (GDP)

## The underutilisation rate is the lowest since 2008

Underutilisation is a measure of spare capacity in the labour market. It is a more comprehensive measure of the health of the labour market than the unemployment rate alone, as it assesses the

<sup>2</sup>In the June 2016 quarter, changes were made to the HLFS to better identify self-employed people. This caused a structural break in the employment series.

workforce's unmet demand for employment. It includes the unemployed, the underemployed (part-time workers who would like more hours) and the potential labour force (people who are not currently in the labour force, but want a job).<sup>3</sup>

In the September 2019 quarter, the underutilisation rate fell to 10.4 per cent (down from 11.0 per cent in June 2019). This is the lowest since June 2008, when the rate was 9.9 per cent.

Underutilisation rates for both genders continue to fall. The underutilisation rate for men fell to 8.3 per cent (from 9.1 per cent in June 2019), the lowest since December 2007; the rate for women fell to 12.6 per cent, the lowest since September 2008. The gap between male and female underutilisation rates began to increase in 2010, reaching 6.3 percentage points (pp) (10.5 per cent for men, 16.8 per cent for women) in June 2015, the highest on record. The gap subsequently narrowed to 4.0 pp in June 2019 although has increased to 4.3 pp in the current quarter.

The fall in underutilisation this quarter was due to reductions in both underemployed (down by 15,000 people) and the potential labour force (down by 9,000 people), although the number of people unemployed increased by 7,000 people.

To improve our understanding of the dynamics of underutilisation, MBIE is currently undertaking a programme of research on this topic. The first report, *Characterising New Zealand's Underutilised Workforce*, was released in August 2019.<sup>4</sup> This report used longitudinal analysis of the Household Labour Force Survey (HLFS) to understand the key social, economic and work-related demographics of underutilised workers and assessed how often the underutilised workforce transitions between different labour force states.

### **Strong income growth was partially driven by a large increase in the minimum wage**

This quarter saw Stats NZ release the results of their annual Income Survey (IS).<sup>5</sup> The IS complements quarterly labour income data received from the Quarterly Employment Survey (QES) and the Labour Cost Index (LCI), and provides more comprehensive coverage across a wider range of incomes (including self-employment and benefits) and a wider range of occupations than those sources.<sup>6</sup>

<sup>3</sup>The measure includes those who are not in employment but are available to work and are actively looking for a job (defined as unemployed), those in part-time employment (fewer than 30 hours a week) who would like to increase the hours they work and are available to do so (defined as underemployed), and those making up the potential labour force (ie. "available potential jobseekers" who want a job and are available to work but are not currently looking for a job and "unavailable jobseekers" who are currently unavailable to start work but are looking for a job as they would be able to start within the next month).

<sup>4</sup><https://www.mbie.govt.nz/dmsdocument/6976-characterising-new-zealands-underutilised-workforce-evidence-from-the-household-labour-force-survey-pdf> and Summary Infographic available <https://www.mbie.govt.nz/dmsdocument/7047-characterising-new-zealands-underutilised-workforce-infographic>

<sup>5</sup>The IS is an annual module of the Household Labour Force Survey that provides information on income from wages and salaries as well as self-employment and benefits. It also collects a wide range of demographic data, such as gender, age, ethnicity and education level.

<sup>6</sup>The QES reports on income from wages and salaries and does not include the self-employed or workers in agriculture, aquaculture or the defence force. The LCI measures changes in wage rates for a fixed quantity and quality of work, based on comprehensive job descriptions. It does not reflect changes in pay due to promotions and the data excludes

Results from the IS indicate that incomes have increased over the year since June 2018. This was driven by an increase in wages and salaries, particularly the minimum wage and women's wages.

#### ■ THESE INCREASES VARIED BY INCOME SOURCE, GENDER, AGE AND ETHNICITY

In June 2019, the median income for New Zealanders was \$708 per week from all sources: an increase of 5.5 per cent since June 2018. Median income from government transfers was \$341 per week (unchanged since last year), whilst median income from wages and salaries was \$1,016 per week, an increase of 1.9 per cent over the year.

Median weekly income from wages and salaries for men increased by 1.0 per cent over the year (to \$1,151). The highest earning age group remained 50-54 year olds (median weekly income of \$1,438), although there was little annual wage growth for males aged between 25 and 54. Median weekly income from wages and salaries for women was \$906, an increase of 5.0 per cent over the year, with strong annual wage growth for all except those aged 30-39.

The median weekly income for the self-employed was \$767, lower than median weekly income from wages and salaries; the mean weekly self-employed income was \$1,149. The large difference between the median and mean for self-employed workers reflects that while some self-employed workers receive high incomes, there is a large concentration of self-employed workers at the lower end of the income distribution.

Europeans and Asians received the highest median weekly income (\$720), although Europeans' median weekly income from wages and salaries (\$1,060) was higher than that of any other ethnic group. For all ethnicities, males received higher median and mean weekly incomes than women of the same ethnicity.

#### ■ THESE RESULTS ARE CONSISTENT WITH THE QES AND LCI

The September 2019 QES found the average hourly wage was \$32.65, an increase of 0.9 per cent over the quarter and an increase of 4.2 per cent over the year. This is the second quarter in a row in which annual wage growth has exceeded four per cent: this is believed to be due to the increase in minimum wage. Prior to this, wage growth had not exceeded four per cent since September 2009. In comparison, the LCI increased by 2.4 per cent in the year to September 2019 – the largest annual increase since June 2009.<sup>7</sup>

### **New Zealand's population is becoming increasingly qualified**

Research indicates that higher levels of education lead to better employment opportunities, and that people with fewer (or no) qualifications can be significantly disadvantaged in the labour

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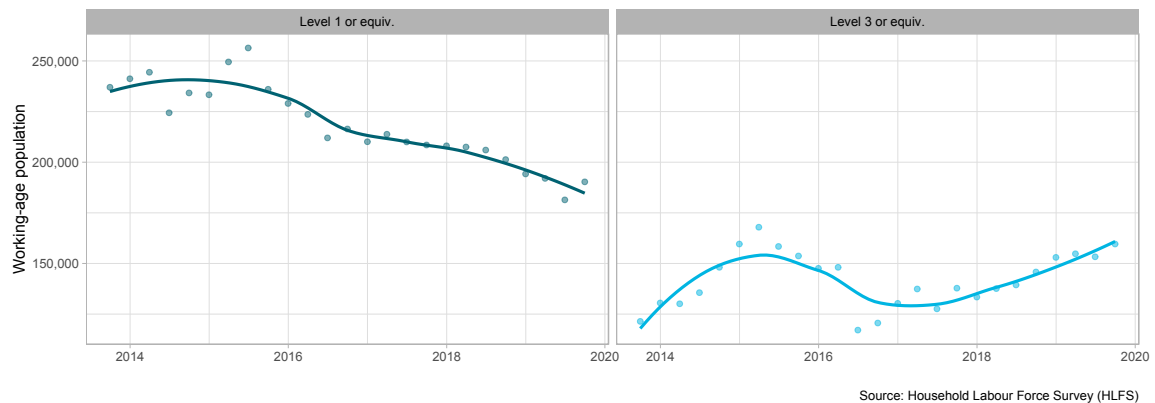
all personal demographics.

<sup>7</sup>Stats NZ describe the LCI as analogous to the consumer price index (CPI), treating it as a measure of wage inflation for employers, rather than personal income.

market.<sup>8</sup> The latest HLFS data confirms this disadvantage persists, but paints a picture of an increasingly qualified population, which corresponds with the decreases in underutilisation and increases in income described in earlier sections.

Trends indicate a reduction since 2013 in the adult population with no qualifications and an increase of those with school-level qualifications, in particular, higher school-level qualifications (Levels 2 and 3 NCEA or equivalent).<sup>9</sup>

Figure 2: Changes in highest qualification level achieved over time



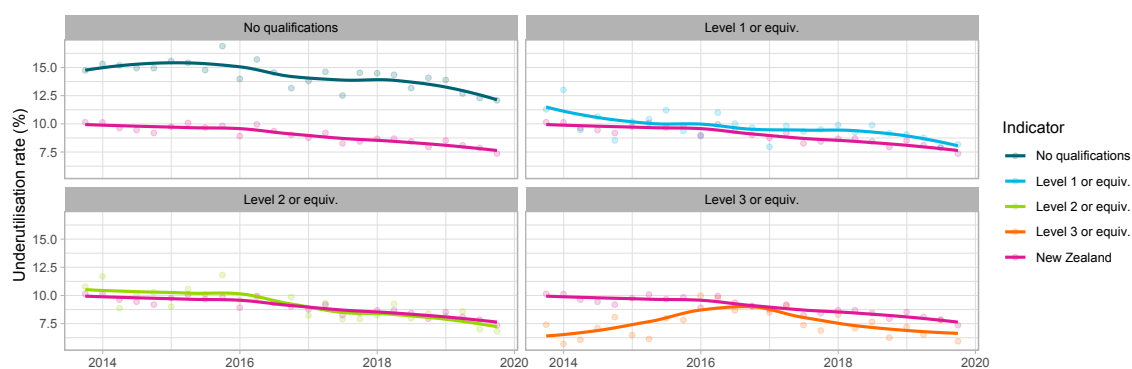
Underutilisation rates for those aged between 25-64 remained higher for people with fewer qualifications than for their more qualified counterparts, at 12.1 per cent for those without qualifications compared to 10.4 per cent overall. This gap is consistent with previous years.

<sup>8</sup><https://www.educationcounts.govt.nz/publications/80898/post-school-labour-market-outcomes-of-school-based-ncea>

<sup>9</sup>School level qualifications refer to Levels 1, 2 and 3 NCEA or equivalent qualifications. These qualifications are generally achieved while attending school but may also be achieved after people leave school or in alternative settings. Level 1 NCEA or equivalent = NZ School Certificate / NCEA Level 1 Level 2 NCEA or equivalent = NZ Sixth Form Certificate / NCEA Level 2 / NZ University Entrance before 1986 Level 3 NCEA or equivalent = NZ Higher School Certificate / NZ A or B Bursary or Scholarship / NCEA Level 3 / NZ University Entrance from 1986



Figure 3: Underutilisation rates for people aged 25 and over by highest qualification level

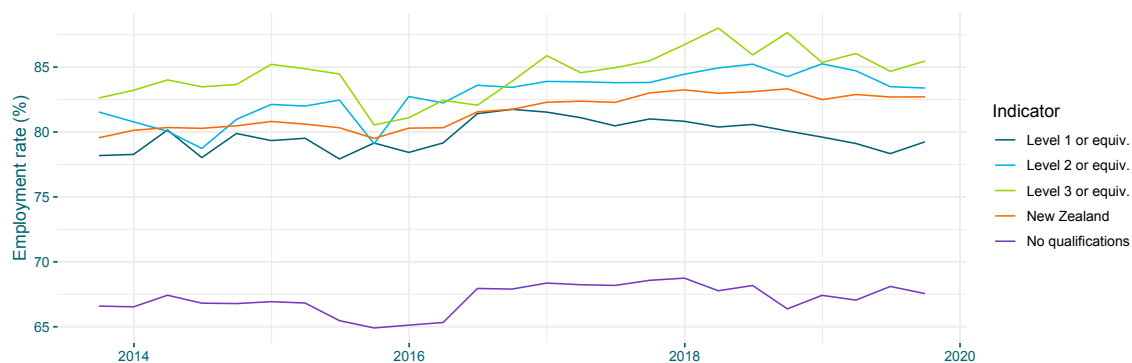


Source: Household Labour Force Survey (HLFS)

For those aged 25-64, people with level 1 NCEA or equivalent had an underutilisation rate of 8.2 per cent, higher than that for people with Level 2 NCEA or equivalent (6.8 per cent), or people with Level 3 NCEA or equivalent (5.9 per cent). Underutilisation decreased for all groups in the September 2019 quarter, in keeping with the overall trends described earlier.

Employment rates continue to be lower for people with lower qualifications than for people with higher qualifications. In September 2019, the employment rate for adults with no qualifications was only 67.6 per cent, compared to 79.2 per cent for people with Level 1 NCEA, 83.4 per cent for people with Level 2 NCEA, 85.5 per cent for people with NCEA level 3, and 82.7 per cent for the total adult population aged 25-64.

Figure 4: Employment rates by highest qualification level

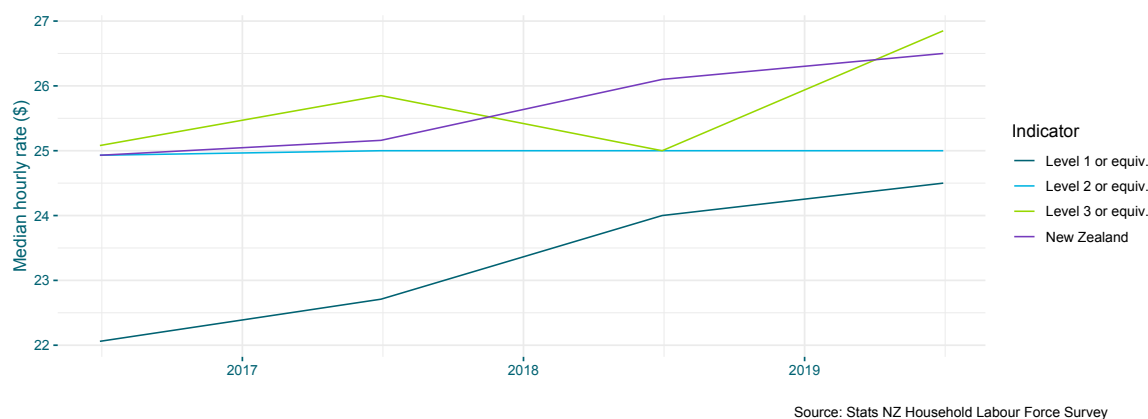


Source: Household Labour Force Survey (HLFS)

Earnings are lower for people without qualifications; however, there are signs of improvement. The median hourly rate for this group increased from 80 to 83 per cent of the median hourly rate of the adult population between 2016 and 2019, a more notable increase than for other groups. This likely reflects the minimum wage increase discussed earlier in this report. In real terms,

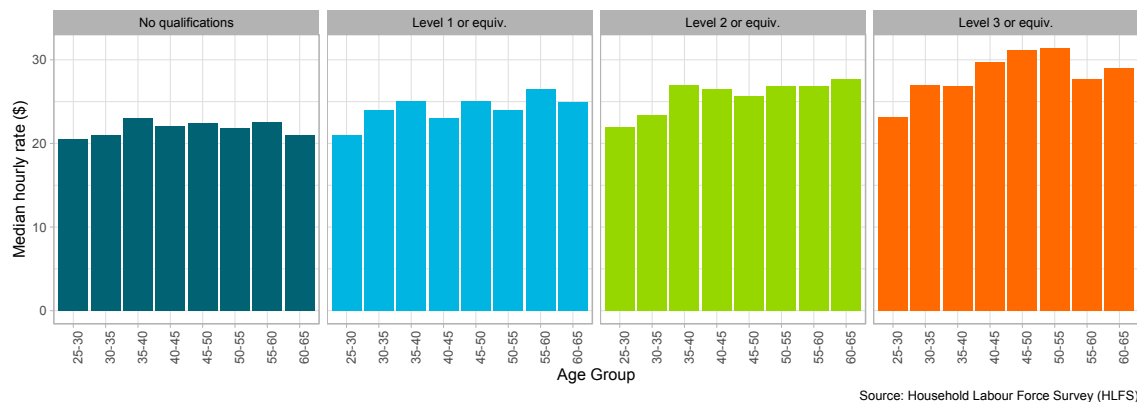
people with NCEA Level 1 or equivalent qualifications had the most significant hourly rate increase of 11.1 per cent from \$22.06 in 2016 to \$24.50 in 2019.

Figure 5: Median hourly rate by highest qualification level



For those with no qualifications, age has little impact on median hourly rate. This is consistent with research that suggests experience has little effect on hourly wages for those with low or no qualifications.<sup>10</sup>

Figure 6: Median hourly rate by age group and highest qualification level



<sup>10</sup>Earle (2010) notes that experience, as measured by age, has a large effect on employment for people with no or low qualifications, but little effect on their hourly wages. He found employment rates for people with no or school qualifications increased substantially between ages 25 to 35 years, showing the effect of experience. The employment rate for a 35 year old with school or no qualifications was equivalent to those of a 25 year old with a tertiary qualification. People with school or no qualifications were, however, more likely to be out of employment after age 55.

## Labour market outcomes continue to improve for Pacific peoples

While labour market outcomes for Pacific peoples are generally poorer than for other New Zealanders, some indicators have shown improvement recently.

Historically, underutilisation rates for Pacific peoples have been higher than for other ethnic groups.<sup>11</sup> Although this held true for the September 2019 quarter, this gap continues to close, with Pacific peoples underutilisation decreasing by 0.7pp over the year to September 2019. The underutilised Pacific population comprises a larger group of unemployed people and a smaller group of underemployed people than the broader New Zealand underutilised population.

Figure 7: Underutilisation rates for Pacific peoples and other ethnicities

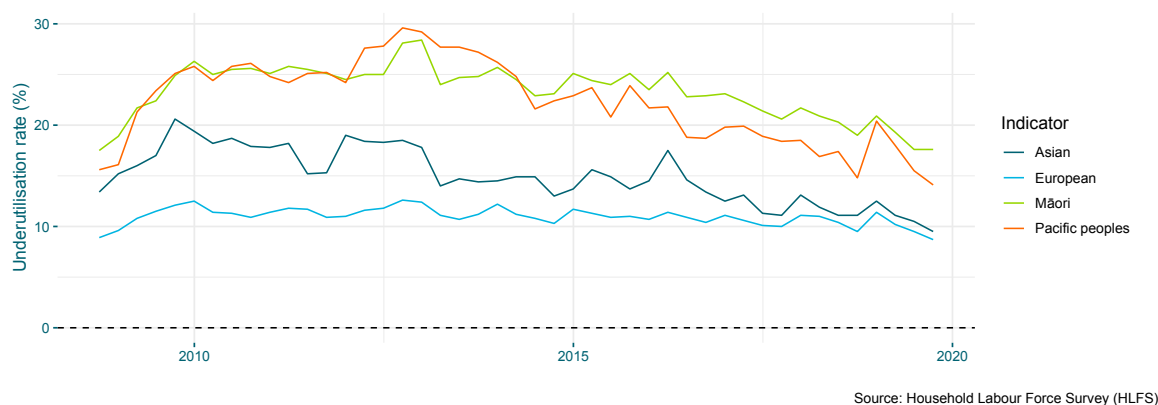
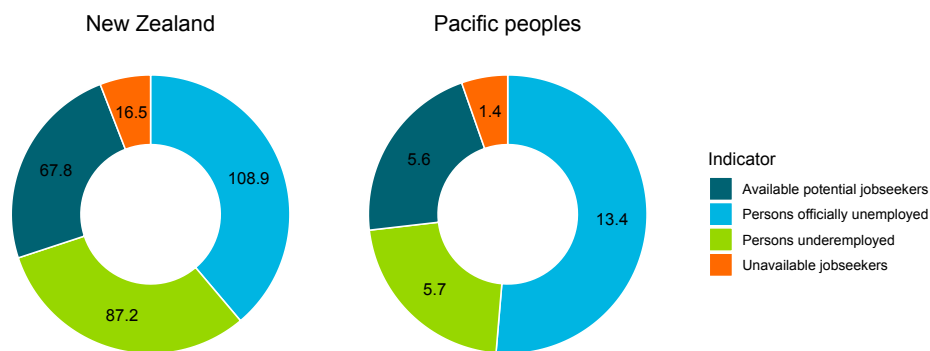


Figure 8: Underutilisation composition for Pacific peoples and all New Zealanders

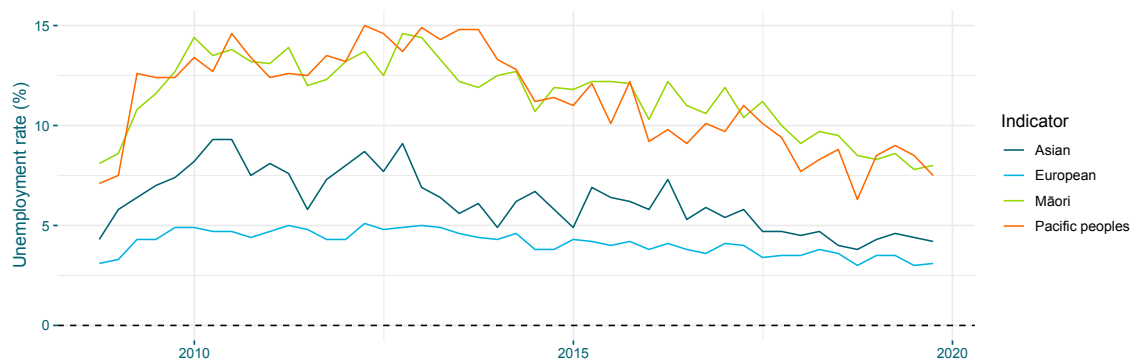


<sup>11</sup> A recent study by AUT New Zealand Work Research Institute found that Pacific peoples are 34.5 per cent more likely to experience high-intensity underutilisation compared to Europeans. High-intensity underutilisation means workers who spend greater than 50 per cent of quarters between June 2016 and June 2018 as underutilised. Source: Characterising New Zealand's underutilised workforce, evidence from the Household Labour Force Survey, AUT New Zealand Work Research Institute, August 2019.

Patterns for both unemployment and employment rates are mixed, and need to be considered alongside population patterns.

In the September 2019 quarter, the unemployment rate for Pacific peoples rose to 7.5 per cent, compared to 4.2 per cent for the wider population. Although this represents an increase of 1.2pp over the last year, the longer term trend since 2013 shows both a reduction in unemployment and a convergence with the overall population. There are also indications that this increase was driven in part by people moving out of the potential labour force to actively seek work. The potential labour force for Pacific peoples has decreased by 3,500 people during the last year.

Figure 9: Unemployment rates for Pacific peoples and other ethnicities



Source: Household Labour Force Survey (HLFS)

The employment rate for Pacific peoples, at 59.9 per cent in the September 2019 quarter, continues to be lower than for all New Zealanders (67.2 per cent unadjusted), and has fallen from 61 per cent in September 2018. As is the case for the unemployment rate however, this decrease needs to be considered alongside changes in real numbers. The number of employed Pacific peoples increased by 9,300 over the year to September 2019. However this increase is offset by increases in the number of Pacific peoples unemployed and those not in the labour force, with the net effect being a reduced employment rate.

■ REAL HOURLY MEDIAN EARNINGS OF PACIFIC PEOPLES ARE LOWER BUT HAVE RISEN FASTER IN THE PAST DECADE

Earnings have also traditionally been lower for Pacific peoples than for all New Zealanders. At \$22.38 in June 2019, median real hourly earnings for Pacific peoples were lower than for all New Zealanders (\$25.50), and also lower than for the Māori (\$23.00) and Asian (\$24.00) ethnic groups.

During the past decade, median real hourly earnings for Pacific peoples have risen faster than the national average (1.5 per cent compared to 1.1 per cent for all New Zealanders). The majority of this growth took place in the last five years, and substantial growth (2.0 per cent) occurred since 2018. The timing of this growth, and the often lower rates earned by Pacific peoples, suggest a relationship with recent increases in the minimum wage.

There is also evidence that female Pacific peoples' earnings have risen faster than that of their

male counterparts. Between June 2018 and June 2019, female Pacific peoples' real wages grew faster (5.8 per cent growth) than males' (0.7 per cent growth). This is consistent with trends since 2014, representing an annual average wage growth rate for female Pacific peoples (3.3 per cent) higher than that for male Pacific peoples (2.8 per cent).

### **Some labour market indicators are improving for disabled people, but a large gap remains**

Labour market outcomes for disabled people<sup>12</sup> are typically poorer than the wider population. Information about disabled people is collected annually by Stats NZ. Statistics released during the last quarter make it possible in this report to consider labour market trends for disabled people by providing comparisons between labour market measures for disabled and non-disabled people in New Zealand.<sup>13</sup>

#### **■ THE UNDERUTILISATION RATE FOR DISABLED PEOPLE HAS DROPPED, BUT IS STILL DOUBLE THAT OF NON-DISABLED PEOPLE**

The gap between the employment rates for disabled people (23.4 per cent) and non-disabled people (69.9 per cent) was 46.5 pp in the June 2019 quarter, down slightly from a gap of 47.7 pp in the previous year.

While the unemployment rate for disabled people (8.6 per cent) was down from the previous year (10.6 per cent), it was still over twice that of non-disabled people (3.8 per cent). Likewise the underutilisation rate for disabled people dropped to 19.3 per cent in the June 2019 quarter (down 6.1 pp from the previous year), but was still close to double the rate for non-disabled people (10.6 per cent).

Underutilised disabled people were less likely to be underemployed (17.8 per cent of underutilised disabled people compared with 35.2 per cent of underutilised non-disabled) but more likely to be unemployed (40.8 per cent compared with 34.5 per cent) or in the potential labour force (41.4 per cent compared with 30.3 per cent).

#### **■ DISABLED PEOPLE WORK FEWER HOURS PER WEEK AND EARN A LOWER HOURLY RATE**

On average, disabled people earn less than non-disabled people. The total median income for disabled people was \$392 per week in the June 2019 quarter, with hourly earnings from wages or salaries of \$23.42. Non-disabled people had a total median income of \$749 per week, with hourly earnings from wages or salaries of \$25.57.

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<sup>12</sup>This group includes those who have at least a lot of difficulty seeing or hearing (even with glasses or hearing aids), walking or climbing stairs, remembering or concentrating, self-care, or communicating

<sup>13</sup>All figures presented in this section come from the June 2019 quarter HLFS.

■ **DISABLED PEOPLE REPORTED DIFFERENT REASONS FOR LEAVING A JOB AND DIFFERENT MAIN ACTIVITIES WHEN NOT IN THE LABOUR FORCE**

Nearly half of disabled people (46.2 per cent) left their last job due to their own sickness/illness/injury compared with just 11.2 per cent of non-disabled people.

The main activity for those not in the labour force also varied by disability status. Disabled people were more likely than non-disabled people to report their main activity as 'own care due to sickness/injury/disability' (26.0 per cent compared with 4.8 per cent) or 'free-time activities' (39.5 per cent compared with 29.6 per cent).

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## 2. How are firms faring?

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### ■ HIGHLIGHTS

- New Zealand has a lot of small businesses, which are more strongly affected by changes in the labour market.
- Business confidence has continued to fall, with firms cutting back on hiring intentions and reporting low profitability.
- Businesses continued to have difficulties filling vacancies, although skill shortages may be easing slightly.

### **The number of enterprises in New Zealand continues to grow**

In February 2019, New Zealand had 546,740 enterprises (up 9,800 from a year ago).<sup>14</sup> Less than 1 per cent of enterprises had 100 or more employees, but they employed 48 per cent of all employees in New Zealand. The number of enterprises grew fastest in the Construction industry, with 2,920 more enterprises than in the previous year.

### **Small businesses are an important part of New Zealand's economy**

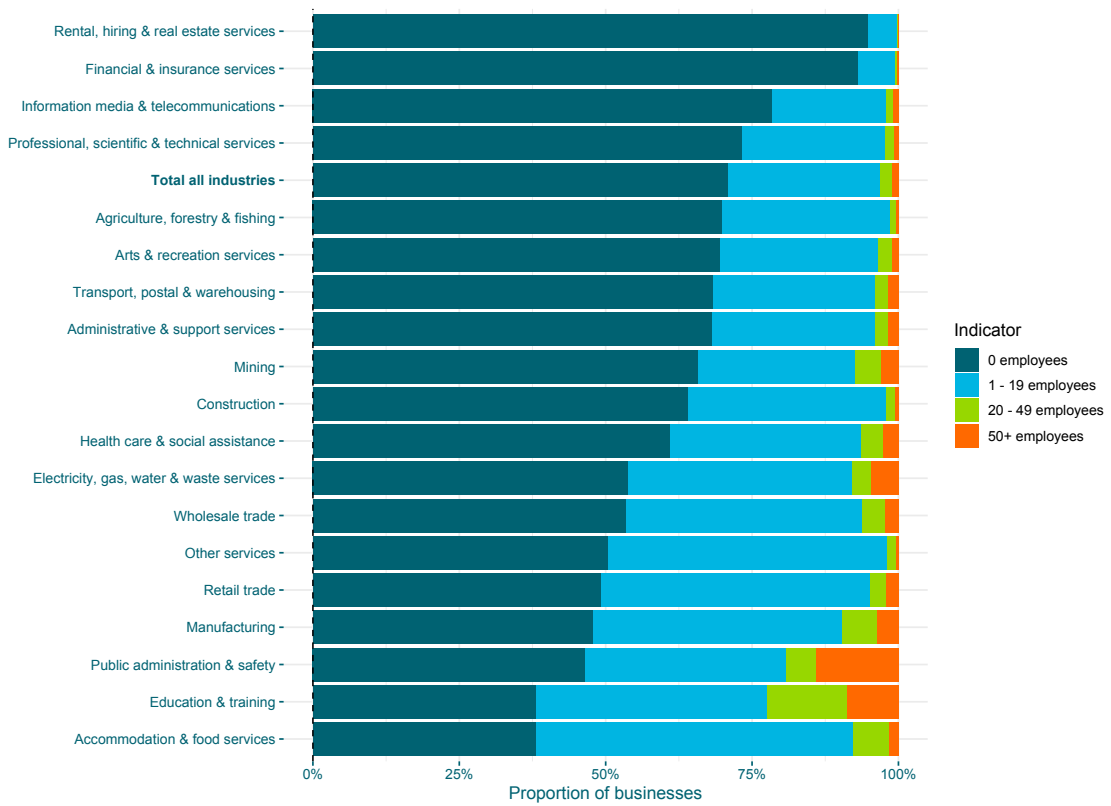
Small businesses dominate many of our industries, with 71 per cent of enterprises having zero employees (388,320 enterprises) and 26 per cent of enterprises (141,980 enterprises) having 1-19. These are an important part of the economy, with 28 per cent of New Zealand's Gross Domestic Product (GDP) estimated to be produced by enterprises with fewer than 20 employees.<sup>15</sup>

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<sup>14</sup>Statistics New Zealand, Business Demography, Feb 2019

<sup>15</sup>Statistics New Zealand, National Accounts, Mar 2014

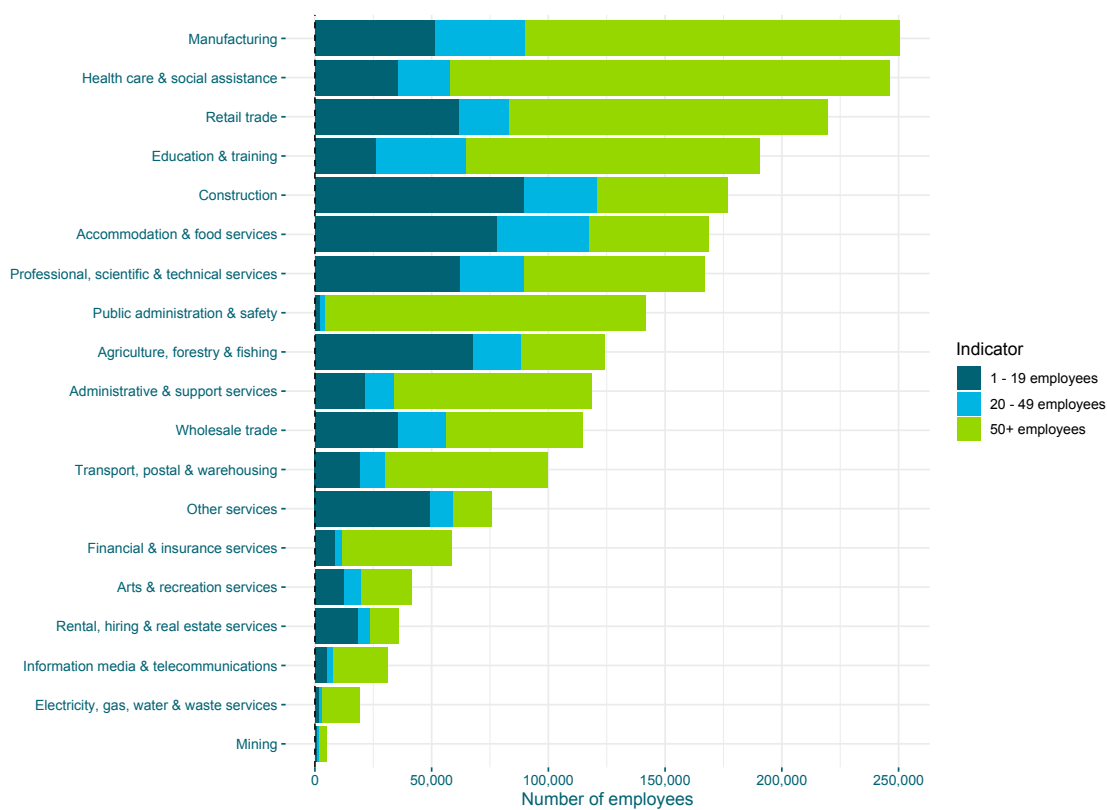
Figure 10: Business size by industry



Source: Stats NZ Business Demography



Figure 11: Number of employees by industry and business size



Source: Stats NZ Business Demography

Around two-thirds of employees in the Accommodation & food services, Construction, and Rental, hiring & real estate services industries are employed in small or medium-sized businesses. The Global Financial Crisis (GFC) hit small and medium-sized businesses harder than large businesses, but they have since recovered to pre-GFC growth rates. Following the GFC, annual growth in employee numbers for small businesses has been 1.6 per cent, while annual growth in employees has been stronger for medium businesses (3.4 per cent) and large businesses (2.9 per cent).

### Business confidence falls as profitability remains low

Business confidence continued to fall in the September 2019 quarter after improving slightly towards the end of 2018.<sup>16</sup> More businesses expect conditions to get worse than to get better, with a net 35 per cent of businesses expecting economic conditions to worsen over the coming months (up from 31 per cent last quarter). ANZ’s Business Outlook, which is more heavily weighted towards the primary sector, has fallen steeply and showed a net 54 per cent of

<sup>16</sup>NZIER, Quarterly Survey of Business Opinion, September 2019

businesses were pessimistic about the year ahead (up from a net 38 per cent last quarter).<sup>17</sup>

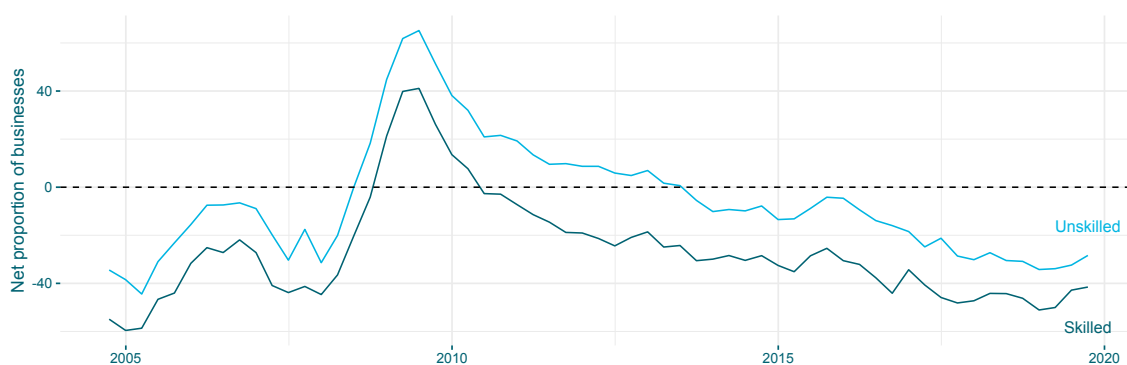
Trading activity has slowed, with a net 11 per cent of firms reporting reduced demand in the September quarter. This, combined with low profitability, has led to the lowest investment intentions since 2009. ANZ's Business Outlook also reported falling employment and investment intentions over the quarter as profit expectations declined.

### Skill shortages have eased slightly, but hiring remains low

The difficulties in finding both skilled and unskilled labour have eased slightly in the September quarter. A net 42 per cent of businesses reported having trouble finding skilled labour and a net 28 per cent reported trouble finding unskilled labour. Before easing over the last three quarters, these reported difficulties in finding labour had been generally increasing since the height of the GFC in 2009.

Online job advertisements (a measure of demand for labour) have remained fairly flat, increasing 0.3 per cent in the September quarter, but falling 1.0 per cent over the year.<sup>18</sup> Over the year, IT was the only industry to show an increase in online job advertising. The QSBO also reported that firms cut back on hiring in the September quarter, with a net 10 per cent of firms cutting staff numbers.

Figure 12: Ease of finding labour



Source: NZIER Quarterly Survey of Business Opinion

### Findings from the National Survey of Employers

MBIE's annual National Survey of Employers (NSE) collects data on workplace practices in New Zealand businesses within the context of current employment-focused legislation. The findings presented here are supported by results from the 2018/19 NSE.

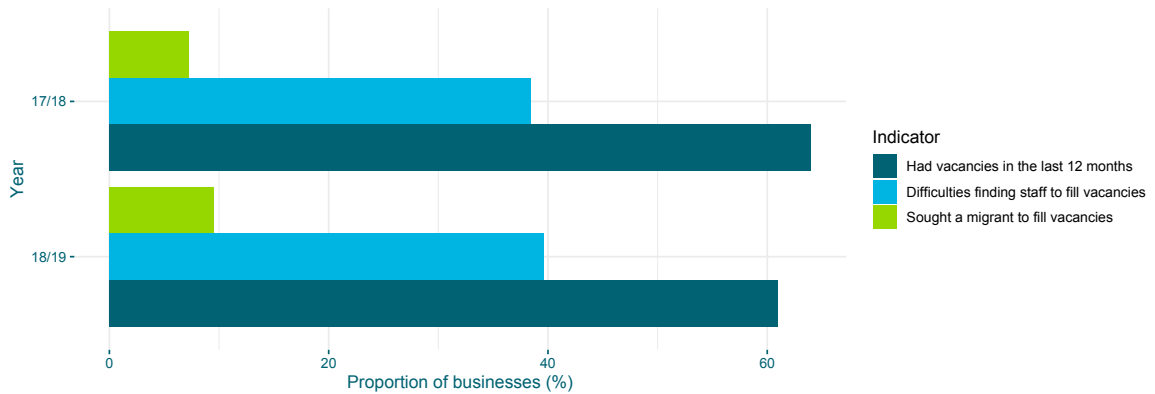
<sup>17</sup> ANZ Business Outlook, September 2019

<sup>18</sup> MBIE, Jobs Online, September 2019

### ■ BUSINESSES FACED ONGOING DIFFICULTIES IN FILLING VACANCIES

The NSE found no significant difference in levels of job vacancies compared with the previous year. Employers continued to experience difficulties finding staff to fill vacancies, with approximately 10 per cent of all employers (up from seven per cent the year before) seeking a migrant to fill vacancies.

Figure 13: Employer experiences filling job vacancies



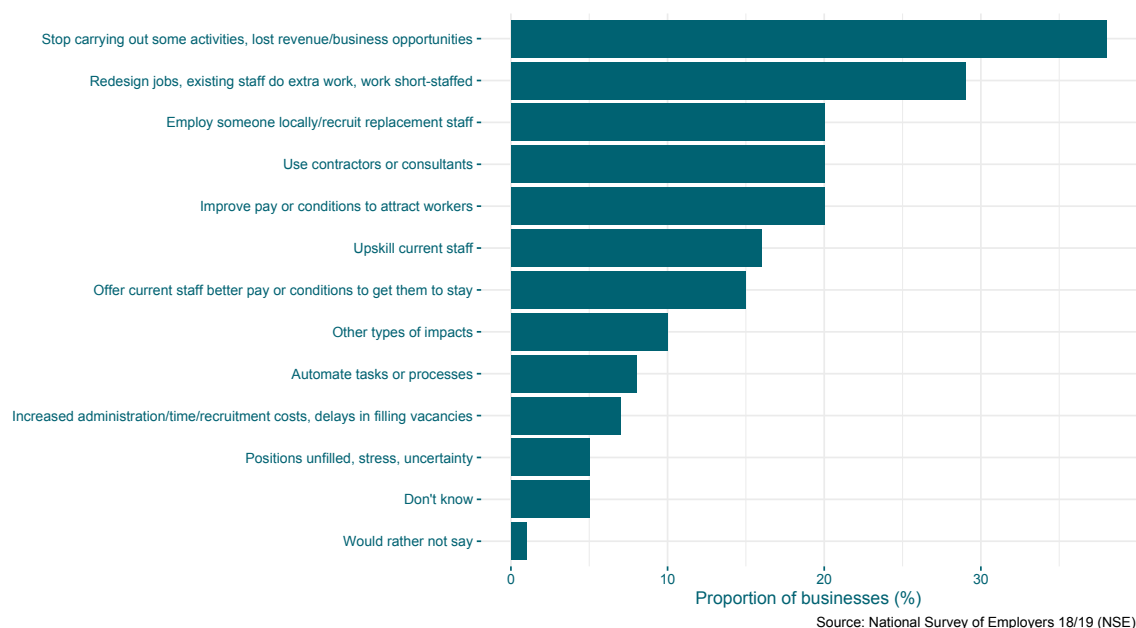
Source: National Survey of Employers 18/19 (NSE)

### ■ CHALLENGES IN HIRING MIGRANTS IMPACTED BUSINESSES

The NSE 2018/19 also found nine percent of all employers experienced difficulties employing migrant workers in the last twelve months, particularly due to issues in the visa process. There were multiple impacts for these employers: just over a third experienced reduced business activity, and just under a third redesigned jobs or worked short-staffed.<sup>19</sup> Some made changes to enable other workers to come on board, or for work to be automated.

<sup>19</sup>Sub-sample based on the nine per cent of businesses that had difficulties employing migrant workers in New Zealand or from overseas.

Figure 14: Impact of difficulties experienced with employing migrant workers in New Zealand from overseas



#### ■ MOST EMPLOYERS REPORTED PRACTICES CONSISTENT WITH MINIMUM EMPLOYMENT STANDARDS

Overall, firms reported high levels of consistency with minimum employment standards:

- Ninety-one per cent of employers reported having written employment agreements in place for all employees.
- Twenty per cent of employers have had employees take parental leave within the last two years. Of these, two-thirds of employers offered these staff flexible or reduced hours upon their return to work, 24 per cent offered additional leave and nine per cent offered payments on top of statutory requirements.
- Businesses were more likely to have processes in place for managing risk of injury (93 per cent) and risks to physical health (86 per cent) than having processes for managing risks to mental health (69 per cent). The Health care & social assistance sector was better equipped in managing risks to mental health than other sectors (89 per cent compared to 69 per cent).

#### ■ MORE EMPLOYEES STAYED IN THEIR ROLES FOLLOWING A DISPUTE

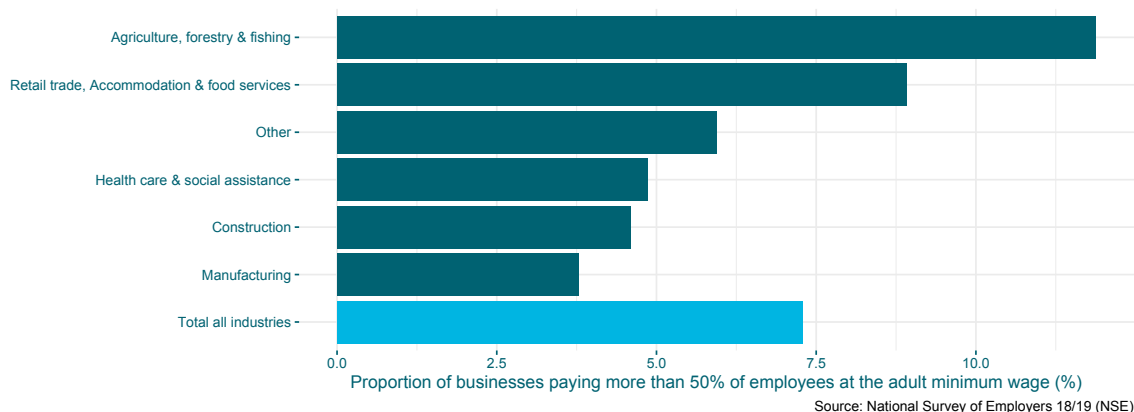
Twenty-four per cent of employers had an employment relationship problem or dispute in the last 12 months that required management action, up from 17 per cent in 2016/17, and performance issues continued to be the most common reason for such disputes. Interestingly, in

2018/19 the proportion of employees who stayed in their roles following an employment dispute rose to 38 per cent, up from 27 per cent in 2016/17. This was a larger proportion than those who resigned (32 per cent of employees) and those who were dismissed (17 per cent).

■ THE USE OF MINIMUM WAGE WAS MOST WIDESPREAD IN THE AGRICULTURE, FORESTRY & FISHING SECTOR, AND BY SMALLER EMPLOYERS

In the 12 months to 2018/19, only 27 per cent of employers used the adult minimum wage at all, and seven per cent of employers paid minimum wage to more than half their employees. Employers from the Retail, accommodation & food services sector were the most likely to pay at least one employee the minimum wage (43 per cent), and Construction sector employers were the least likely (18 per cent). Employers in the Agriculture, forestry & fishing sector were most likely to pay more than half of employees the minimum wage, and employers in the Manufacturing industry were the least likely.

Figure 15: Proportion of businesses paying more than half of their employees at the adult minimum wage, by sector



Smaller businesses were more likely to pay over 50 per cent of employees the minimum wage than larger employers, which suggests these smaller businesses are more directly affected by annual increases in the minimum wage.

In response to annual minimum wage increases, employers are also known to increase wages or salaries for employees already paid above the minimum wage in order to remain competitive. Twenty-nine per cent of employers reported making such increases in 2018/19. This proportion was consistent with results from 2017/18.

### 3. Labour Market Dynamics

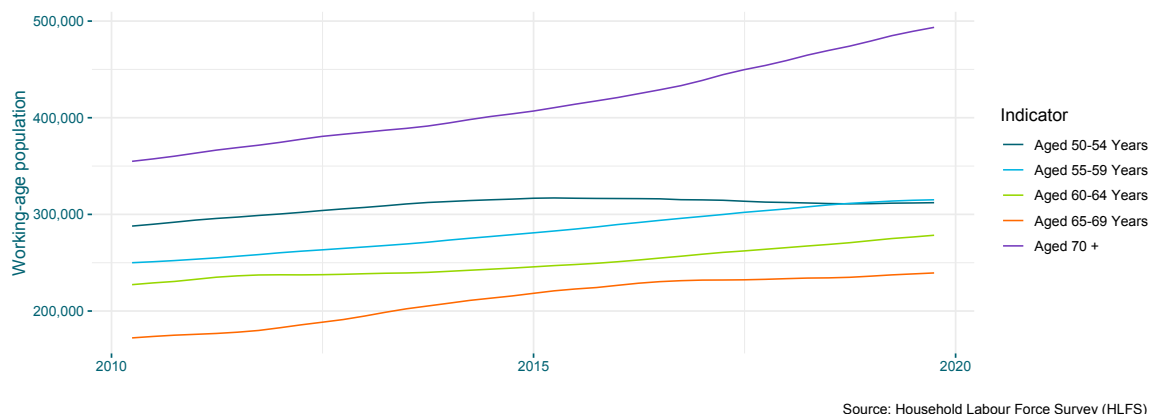
#### ■ HIGHLIGHTS

- Increasing labour force participation from older workers in recent years is changing the make-up of the labour market.
- The unemployment rate is expected to stay around or slightly below the current level over the next five years, as New Zealand remains close to maximum sustainable employment.
- The HLF5 has been reweighted to account for new population estimates. The main changes were reductions in the measured 20-35 year age group of the working-age population.

#### Labour force participation for older workers has been rising

Increasing participation from an aging workforce has changed the labour market in recent years. While New Zealand’s working-age population as a whole has grown in the last 10 years, the proportion of people aged 55+ has increased, with particularly strong growth in the 70+ older age group. In addition, the average participation rate of this age bracket has been increasing, with 65+ cohorts rising fastest. These two factors combine to give a working-age population that is heavily skewed towards the older age brackets compared to historical norms.

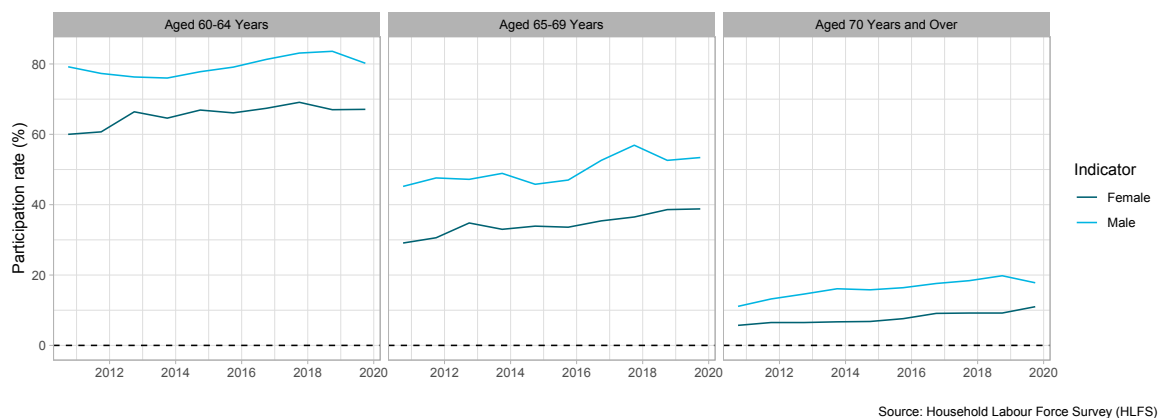
Figure 16: Working-age population by age group



In addition we see changes to the gender make-up of the workforce. The male participation rate

has been consistently higher than the female participation rate, but the participation rates for older males may have reached peak levels, while the female participation rates continue to increase.

Figure 17: Participation rate by gender and age group



## New Zealand remains close to maximum sustainable employment

The Reserve Bank of New Zealand’s Remit<sup>20</sup> requires the Bank to set monetary policy that supports maximum sustainable employment, as well as keeping inflation to a long-term average of two per cent. The November 2019 Monetary Policy Statement<sup>21</sup> notes that employment remains at a level believed to be close to the maximum sustainable level, while inflation remains within target thresholds. The recent increase in the minimum wage has contributed to an increase in wage inflation, and labour market conditions remain strong despite the slowdown in both global and domestic growth. The Bank is now forecasting the unemployment rate to remain at, or slightly below, the current rate over the next five years.

The Bank has been active in expanding its research programme to better understand the New Zealand labour market, and the relationships between different labour market indicators and monetary policy. A recent Analytical Note<sup>22</sup> examines the effectiveness of a wide range of different labour market indicators (44 in total, including measures from HLFS, QES, the QSBO and from the Bank’s own macroeconomic models) in predicting future employment growth, wage inflation and the domestic inflation element of the Consumer Price Index (CPI). The results suggest that no single indicator is an accurate measure on its own. The most useful indicators were the underutilisation rate, which was better at predicting domestic inflation and employment growth; and Māori and youth unemployment rates (and their deviation from the headline unemployment rate), which were more effective at predicting wage inflation and employment growth.

<sup>20</sup><https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy>

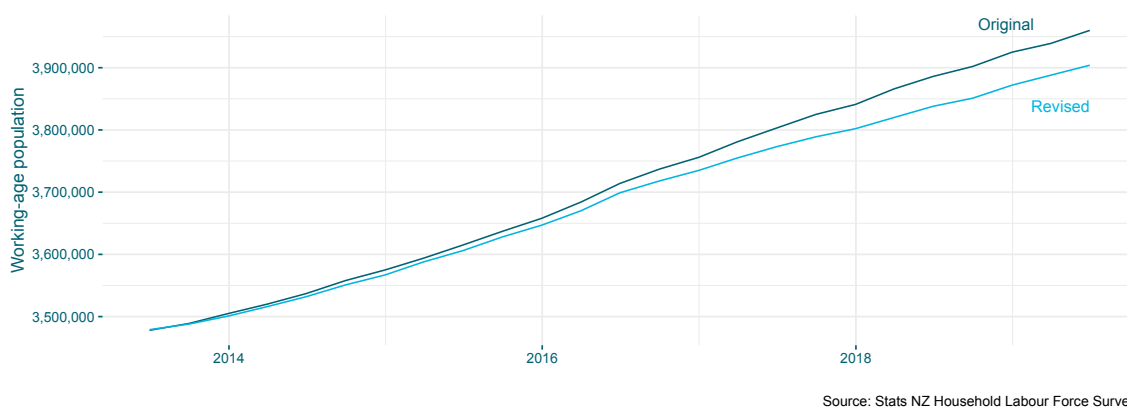
<sup>21</sup><https://www.rbnz.govt.nz/monetary-policy/monetary-policy-statement/mps-november-2019>

<sup>22</sup><https://www.rbnz.govt.nz/research-and-publications/analytical-notes/2019/an2019-09>

## The HLFS has been reweighted to account for new population estimates

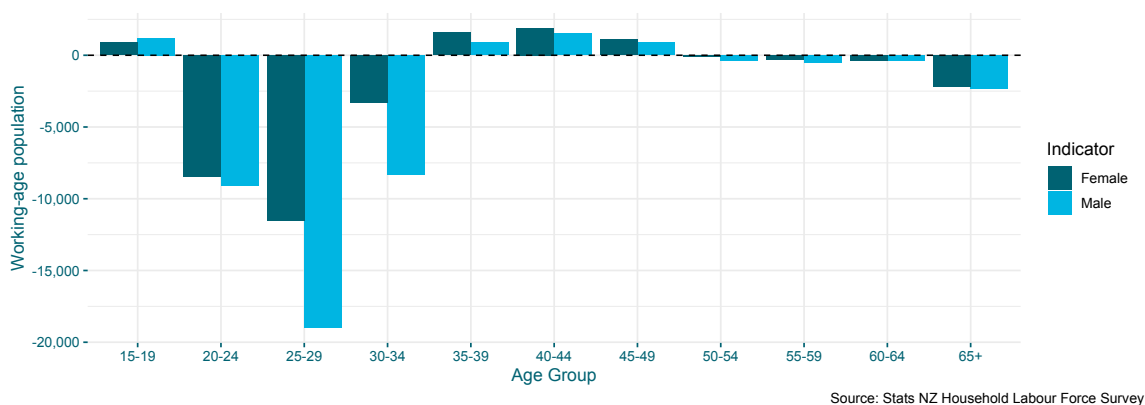
On 1<sup>st</sup> October 2019, the HLFS was re-weighted back to the September 2013 quarter.<sup>23</sup> The main impacts of this revision to the HLFS were a decrease in the measured number of people employed, and small decreases in the number of people unemployed and not in the labour force. There was no change to the June 2019 unemployment rate of 3.9 per cent, while the revised employment rate fell to 67.5 per cent (down 0.2 pp) and the revised labour force participation rate fell to 70.2 per cent (down 0.2 pp).

Figure 18: Changes to the HLFS working-age population due to re-weighting



The most notable change to the HLFS was a shift in the age make-up of the working-age population, with reductions in the working-age population for the 20-35 year age groups. This decrease in working-age population was also considerably larger for males than for females.

Figure 19: Changes to the HLFS working-age population by age groups due to re-weighting



<sup>23</sup><https://www.stats.govt.nz/reports/household-labour-force-survey-population-reweight-from-revised-national-population-estimates-june-2019-quarter>



On 22 October, Stats NZ published its provisional Subnational population estimates,<sup>24</sup> and will revise the national and subnational population estimates again by March 2020 to incorporate 2018 census data. The HLFs data will again be revised in mid-2020 to incorporate these changes.

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<sup>24</sup><https://www.stats.govt.nz/information-releases/subnational-population-estimates-at-30-june-2019-provisional>

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## 4. Conclusions

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Overall, the state of the labour market is generally positive. Underutilisation has fallen to an 11-year low, and wage growth has improved. Gradual inroads are being made into disparities such as gender and ethnic gaps.

However, not everything is improving. Unemployment has increased slightly, with firms cutting back on hiring due to low profitability and an expectation of worsening economic conditions over the coming months.

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## 5. A Spotlight On: Taranaki

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### ■ INTRODUCTION

Taranaki is New Zealand's only oil and gas producing region and this has been a major contributor to the regional economy. Taranaki is also home to the world's largest dairy factory, processing around 14 million litres of milk each day. In 2018, the government announced that no further offshore oil and gas exploration permits would be issued, and committed to work with the Taranaki region to support the transition to a low-emissions economy. One part of this transition for Taranaki is the establishment of the National New Energy Development Centre.

MBIE has enhanced its labour market monitoring programme to increase the depth of analysis we provide, including on regional labour markets. To assist the Just Transitions initiative and to supplement our general regional economic activity tools,<sup>a</sup> we have sought to understand the particular strengths and characteristics of Taranaki. This section summarises some highlights of our findings.

<sup>a</sup>Regional Economic Activity web tool <http://webrear.mbie.govt.nz/summary/new-zealand>

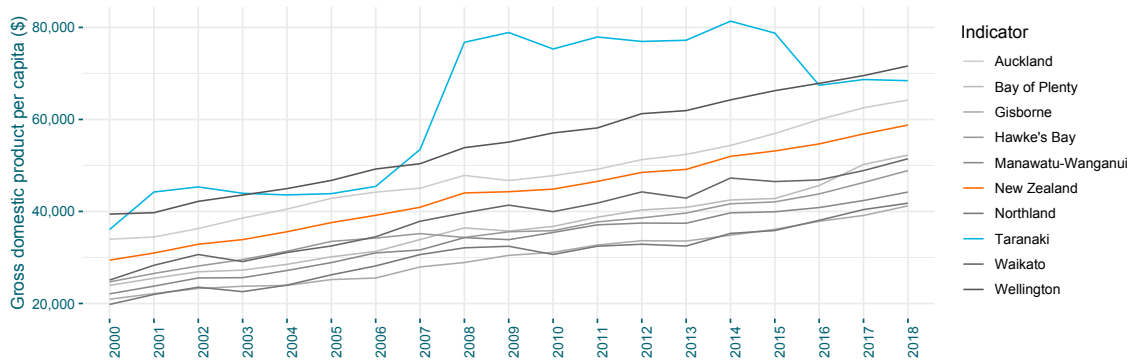
### What is the workforce like in Taranaki?

#### ■ TARANAKI'S GDP HAS GROWN MUCH FASTER THAN NEW ZEALAND'S, BUT INCOMES ARE MIDDLE OF THE PACK

Gross Domestic Product (GDP)<sup>25</sup> grew rapidly in Taranaki from 2006, rising from \$4.8 billion, and peaking at \$9.3 billion in 2014 (using 2018 prices). After a slight decline, GDP increased again in 2018, up to \$8.1 billion. Taranaki's GDP rose in 2018, but GDP per capita of \$68,427 fell (down 0.3 per cent) over the year, as the number of people living in Taranaki increased. Among New Zealand's regions, Taranaki has the second highest GDP per capita, behind Wellington (\$71,622) and is substantially above the New Zealand overall GDP per capita of \$58,778.

<sup>25</sup>Modelled GDP, MBIE, <https://www.mbie.govt.nz/business-and-employment/economic-development/regional-economic-development/modelled-territorial-authority-gross-domestic-product/2019-release/>;

Figure 20: Gross Domestic Product per capita by region

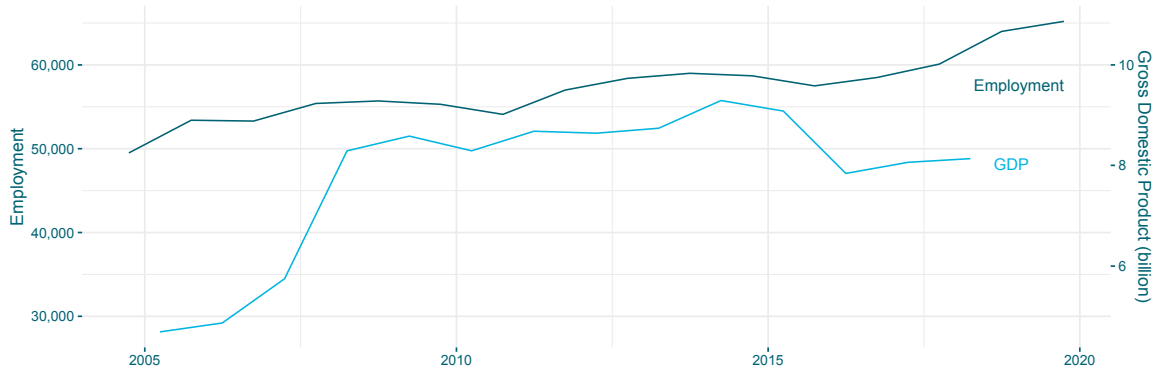


Source: National Accounts (GDP)

Incomes in Taranaki don't reflect the high GDP per capita. The annualised average weekly income, from all sources of income, in Taranaki was \$44,000 for June 2019, slightly below the overall New Zealand average income of \$45,800, and placing Taranaki sixth out of the twelve regions.

Since 2001, the number of people employed in Taranaki has grown steadily. At 70.1 per cent (65,200 people), the employment rate in Taranaki in September 2019 was higher than the overall New Zealand rate of 67.2 per cent. Over the last year, employment in Taranaki increased by 1,200 people.<sup>26</sup>

Figure 21: Employment and Gross Domestic Product for Taranaki



Source: Household Labour Force Survey (HLFS), National Accounts (GDP)

<sup>26</sup>The statistics used in this section are not seasonally adjusted to enable more accurate comparisons, as regional seasonally adjusted statistics are not available.

## ■ WHO LIVES IN TARANAKI?

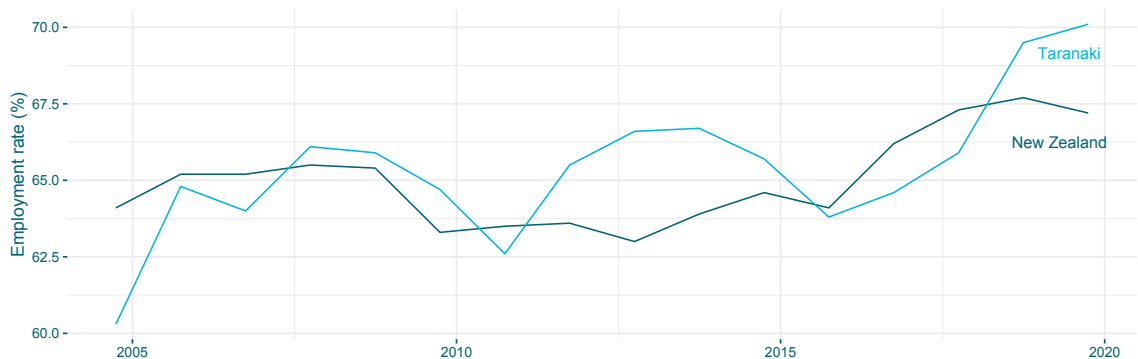
Taranaki’s working-age population skews slightly older than the national average, with proportionally more people aged 30-64 and fewer aged 15-29 than in the rest of New Zealand. Taranaki has proportionally more Māori than nationally (18.2 and 12.9 per cent respectively), but proportionally fewer people who identify as European (68.2 and 69.4 per cent respectively), Pacific peoples (1.3 and 7.0 per cent respectively) or Asian (4.1 and 15.6 per cent respectively).

The working age population in Taranaki was 93,000 in the September 2019 quarter, an increase of 800 people over the year. The annual population growth in Taranaki (0.9 per cent) was just over half the annual national rate (1.7 per cent). Net external migration<sup>27</sup> into Taranaki in May 2018 was 500 people (net 0.4 per cent of the region’s June 2018 population).

## ■ HOW IS THE WORKFORCE FARING IN TARANAKI?

Throughout the 21st century, Taranaki’s employment rate has generally exceeded that of New Zealand as a whole. After a fall from 2013, the employment rate surged back ahead of the national rate, reaching a record high of 71.6 per cent in June 2019, and growing by 0.6pp over the year to 70.1 per cent in September 2019.<sup>28</sup> This has included increases for women (up 2.4 pp to 67.5 per cent) and older workers. The employment rate for men has fallen since 2018 (down 1.2 pp to 72.6 per cent).

Figure 22: Employment rates for Taranaki and New Zealand



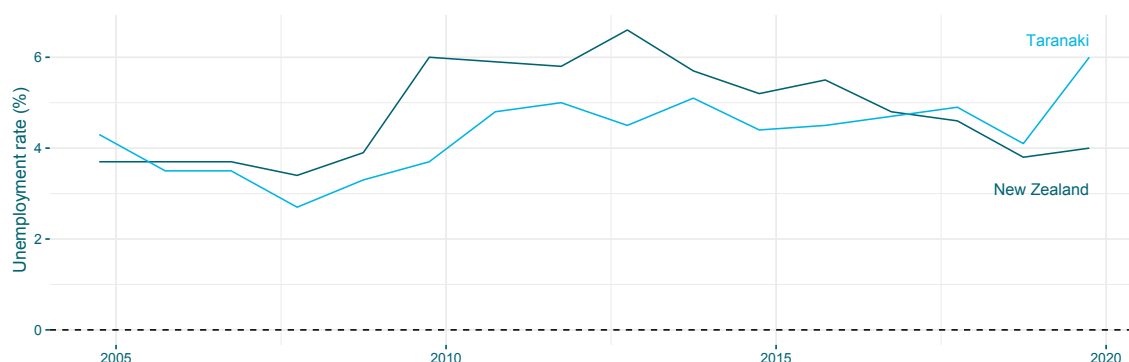
Source: Household Labour Force Survey (HLFS)

In September 2019, Taranaki’s labour force was 69,400 people (a participation rate of 74.6 per cent of the working age population). An increase of 2,600 people over the year, with large increases for women (up 2,000 people) and workers aged 25 to 39 years (up 2,400 people). In the last year, the labour force participation rate increased the most for older people in their early fifties and sixties, similar to national patterns.

<sup>27</sup>Subnational Migration Estimates, Stats NZ

<sup>28</sup>For comparison purposes all of the New Zealand data in the Taranaki section is unadjusted, as seasonally adjusted data is unavailable for regional data.

Figure 23: Unemployment rates for Taranaki and New Zealand



Source: Household Labour Force Survey (HLFS)

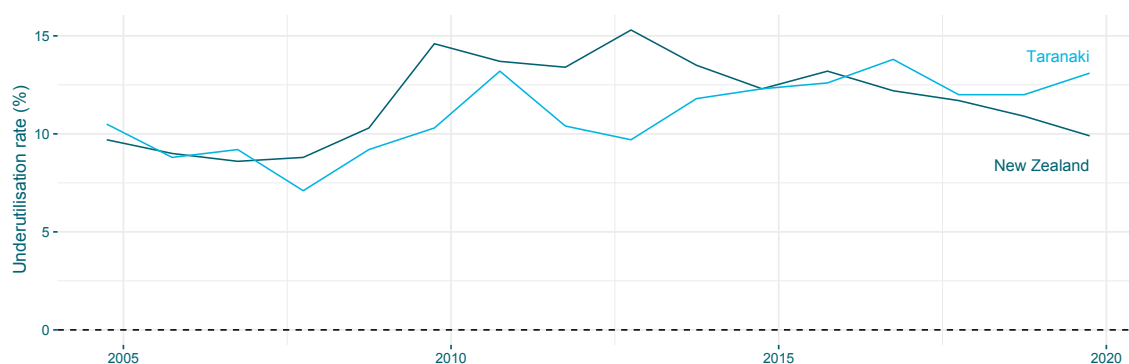
Until recently Taranaki’s unemployment rate has been lower than that experienced nationally over the last two decades. It fell below three per cent in 2007, and although it increased from 2008 at the start of the global financial crisis, it remained below national levels. Throughout the 2010s, Taranaki’s unemployment rate remained relatively flat, whilst New Zealand’s recovered and the national unemployment rate fell from its 2012 nadir, falling below Taranaki’s in 2016.

Over the last year, Taranaki’s unemployment rate has increased by 1.9 pp to 6.0 per cent. While this is a large increase, regional data from the HLFS is often subject to large changes year on year due to sampling issues. MBIE will continue to monitor this trend. There are currently 4,200 unemployed people in Taranaki, an increase of 1,500 people over the year, split relatively evenly between men (800) and women (700).

#### ■ WHAT DOES UNDERUTILISATION IN TARANAKI LOOK LIKE?

The underutilisation rate for Taranaki was 13.1 per cent in September 2019, an annual increase of 1.1 pp. Between 2006 and 2015, Taranaki’s underutilisation rate was lower than New Zealand’s, but from 2012, as Taranaki’s unemployment rate stabilised, underutilisation rose steadily, in contrast to the rest of New Zealand. As of September 2019 there were 9,400 underutilised people in Taranaki, an increase of 1,100 over the year.

Figure 24: Underutilisation rates for Taranaki and New Zealand



Source: Household Labour Force Survey (HLFS)

About 8,700 people receive a main benefit<sup>29</sup> in Taranaki, equivalent to 9.3 per cent of the working age population. Over the past year, people receiving Jobseeker Support in Taranaki increased by 8.8 per cent, below the national increase of 10.2 per cent.

#### ■ HOW DO MĀORI FARE IN TARANAKI?

Similar to national patterns, underutilisation and unemployment rates for Māori are higher than those for non-Māori in Taranaki. The gender gap for Māori narrowed with a slightly higher employment rate for women, while nationally the gender gap persists for Māori and women.<sup>30</sup>

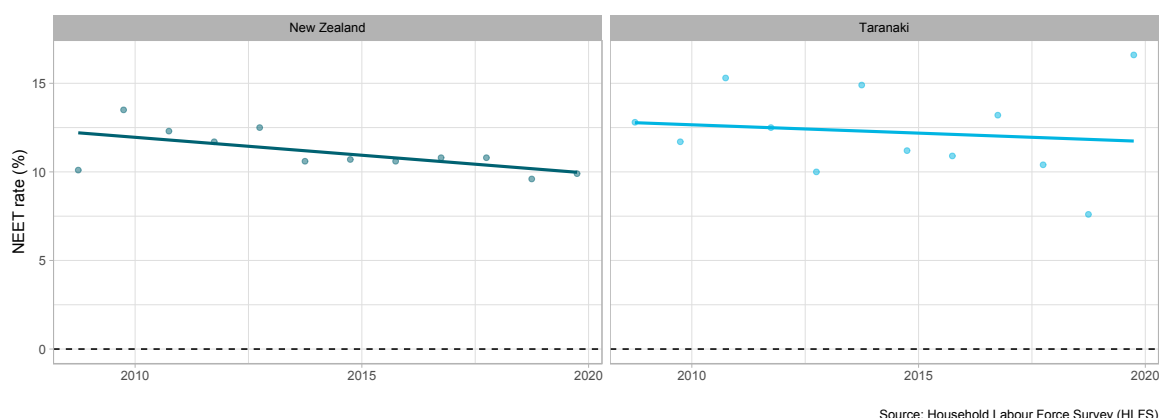
#### ■ HOW DO YOUTH FARE IN TARANAKI?

Not in Education, Employment or Training (NEET) rates for youth aged 15 to 24 years were higher in Taranaki (16.6 per cent), than for New Zealand (9.9 per cent). The ten year trend shows that the NEET rates in both Taranaki and New Zealand overall are decreasing, despite the large increase in Taranaki in the September 2019 quarter.

<sup>29</sup>Main benefits include Jobseeker Support, Sole Parent Support, Supported Living Payment, other main benefits (remaining benefit categories such as Emergency Benefit, Youth Payment and Young Parent Payment). The benefit numbers were adjusted by the number of people of working age between the ages of 18 and 64 years in Taranaki and New Zealand overall. Source: Ministry of Social Development Benefit factsheets, Household Labour Force Survey, Stats NZ.

<sup>30</sup>Regional data from the HLFS is often subject to large changes year on year, due to small sample sizes.

Figure 25: NEET rates for Taranaki and New Zealand



#### ■ HOW ARE EMPLOYMENT RELATIONS IN TARANAKI?

Proportionally more people have collective agreements and are union members in Taranaki, compared to New Zealand overall.

Table 1: Collective agreement coverage and union membership in Taranaki and New Zealand – September 2019

Region	Collective Agreement Coverage	Union Membership
Taranaki	24.1% (12,000 people)	26.4% (13,100 people)
New Zealand	18.0% (386,600 people)	18.7% (399,800 people)

#### ■ WHAT DO PEOPLE EARN IN TARANAKI?

Incomes<sup>31</sup> in Taranaki slightly lag the rest of New Zealand. In June 2019, the mean weekly income, including all sources, was \$880 for New Zealand (an increase of 2.4 per cent over the year), compared to \$846 for Taranaki (an increase of 3.0 per cent over the year).

The median wage and salary income in Taranaki was \$930 in June 2019, a decrease of 3.0 per cent over the year. Nationally, the median weekly wage was \$1,016, an increase of 1.9 per cent. As the number of people in Taranaki receiving wages and salaries has increased over the last year, this is likely to reflect an increase in the number of people working lower paying jobs rather than decreases in individual workers' pay packets.

For self-employed workers in Taranaki, the median weekly income was \$700 in June 2019 (an increase of 21.7 per cent over the year), although this was still below the national median

<sup>31</sup>Incomes refer to all sources of income including wages and salaries, self-employment, and Government transfer income

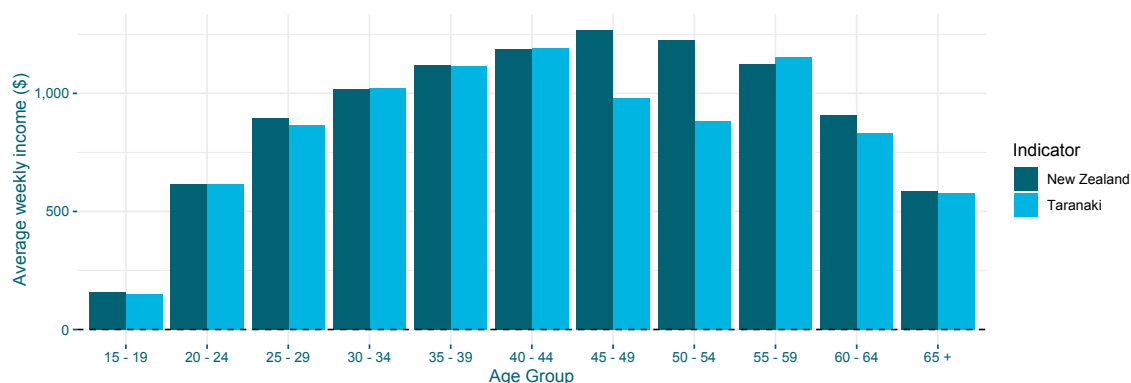


income of \$767 for self-employed workers. The number of people receiving self-employed income in Taranaki increased significantly over the year, from 12,000 to over 17,000.

The average weekly income for Māori in Taranaki is 84 per cent of the Taranaki average income. In Taranaki, the average weekly income for women is 70 per cent of the average weekly income for men – the same ratio as nationally.

The average income in Taranaki shows a drop between 45-54 years due to more people in that age range being not in the labour force. This is in contrast to New Zealand overall, where people not in the labour force increases for those aged 55 to 64 years.

Figure 26: Average weekly income by age group for Taranaki and New Zealand



Source: Household Labour Force Survey (HLFS)

## How are firms faring in Taranaki?

### ■ WHAT ARE THE CHARACTERISTICS OF FIRMS IN TARANAKI?

Taranaki has 15,519 enterprises with 51,900 employees, and 63 Māori enterprises with 270 employees. Over the past year, the number of businesses grew (up 192 enterprises and 600 employees respectively). Māori businesses also grew (up 3 enterprises and 80 employees respectively).

Over the last ten years, the trend in business and employee growth has been very different in Taranaki compared to the rest of New Zealand. Nationally, the number of enterprises fell between 2008 and 2012, before increasing rapidly – there are 580,000 enterprises in New Zealand in 2019, an increase of 14.2 per cent since 2012. In Taranaki, the number of enterprises grew, albeit slowly, between 2008 and 2012, before increasing steadily, but with annual growth half that of the rest of the country.

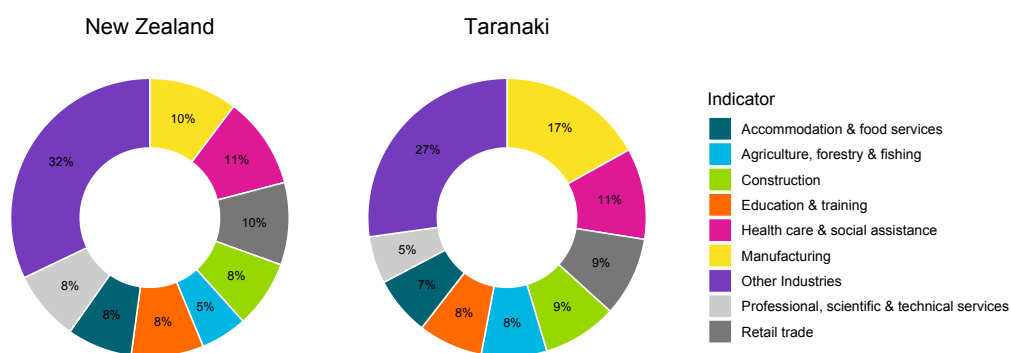
### ■ WHAT INDUSTRIES DO PEOPLE IN TARANAKI WORK IN?

Firms in Taranaki operate in diverse industries. Around 17 per cent of workers are employed in Manufacturing, versus 10 per cent nationally. Since 2014, Taranaki has shown large growth in

Construction and Accommodation & food services, with similar patterns nationally.

In Taranaki, around 35 per cent of people are employed by enterprises with between 1-19 employees, a larger proportion than nationally (29 per cent). Proportionally fewer workers are employed at enterprises with more than 50 employees (53 per cent in Taranaki, compared to 57 per cent nationally).

Figure 27: Employees by industry for Taranaki and New Zealand



Source: Household Labour Force Survey (HLFS)

■ HOW FAST ARE ADVERTISED VACANCIES GROWING IN MANAWATU-WHANGANUI/TARANAKI?

Advertised online job vacancies experienced a decrease of 2.4 per cent in the year to September 2019 in Manawatu-Whanganui/Taranaki. The Business services (up 1.1 per cent) and Health care (up 0.4 per cent) industries had the only annual increases, offset by large decreases in the IT (down 10.8 per cent) and Manufacturing (down 10.5 per cent) industries. The largest falls were in Labourer occupations (down 11.4 per cent) and Low-skilled jobs (down 10.2 per cent) over the year.

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## Links

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This is the second report to include the *Spotlight* section. If you have any feedback, suggestions for future topics or questions, please contact us at: [LabourMarketInsights@mbie.govt.nz](mailto:LabourMarketInsights@mbie.govt.nz)

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National Survey of Employers:

<https://www.mbie.govt.nz/business-and-employment/employment-and-skills/labour-market-reports-data-and-analysis/national-survey-of-employers/>

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