



NEW ZEALAND COUNCIL OF TRADE UNIONS  
*Te Kauae Kaimahi*

# CTU Monthly Economic Bulletin

## No. 221 (August 2020)

### A She- cession?

Discussion of the June 20 Labour Market Statistics where the unemployment rate was a surprising 4% although the underutilisation rate was at a more unsurprising rate of 12%. With women disproportionately bearing the brunt of the effects.

Economic indicators for August continue to show the 'K' shaped recovery outlined by Bernard Hickey with benefit levels increasing at the same time as house, bond and share markets also rising.<sup>1</sup> Ostensibly due to significant levels of quantitative easing.

#### Introduction

In this Bulletin I attempt to unpick the Labour Market Statistics that came out on the 5<sup>th</sup> August 20 for the June 20 quarter.

While I have some ethnic data, the effect on Māori and Pasifika is unclear. In practice I would fully expect the impact of the last few months to be detrimental to this group, but the data is unclear and a bit contradictory.

The effect on women, however, is unambiguous. Most indicators are showing particularly detrimental impacts on women. This means that the issues discussed last Bulletin under the guise of *Pay Equity* will become more and more relevant to the lives of women in paid work.<sup>2</sup>

The lead story from *The Spinoff*, when the data came out, was that 11,000 people had lost their jobs and 10,000 were women.<sup>3</sup> In reality it was a case of Stats NZ saying that *seasonally adjusted* 1,000 fewer men and 10,000 fewer women for the June 20 quarter<sup>4</sup> were employed - which isn't quite the same thing.

But explaining is losing and the actual, unseasonally adjusted, data isn't great either.

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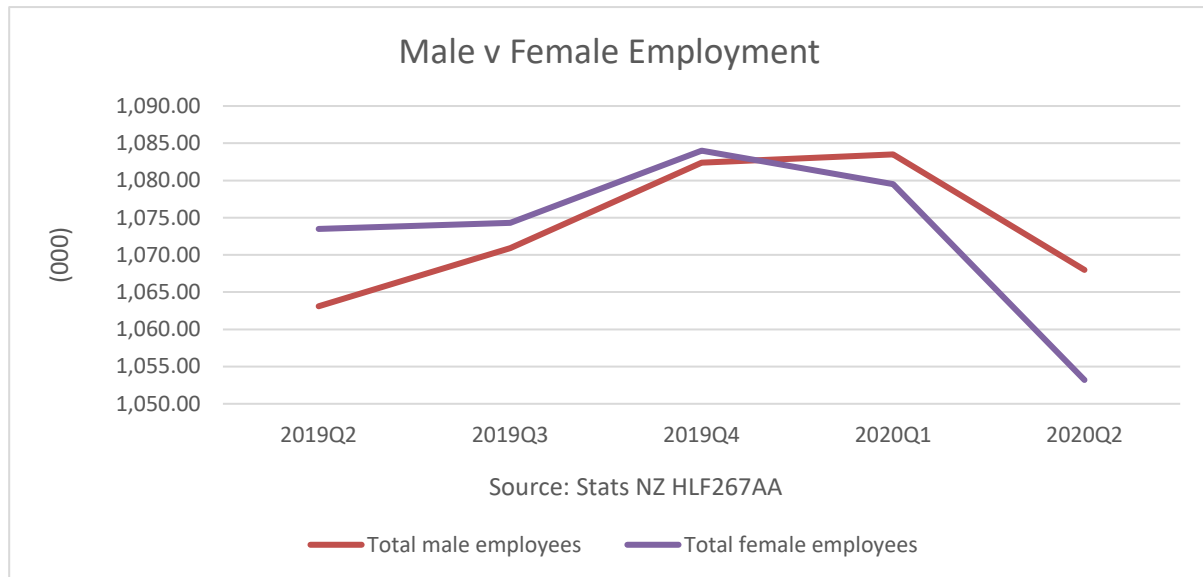
<sup>1</sup> <https://www.newsroom.co.nz/nzs-k-shaped-covid-19-recovery>

<sup>2</sup> <https://www.union.org.nz/wp-content/uploads/2020/07/CTU-Economic-Bulletin-220-July-2020.pdf>

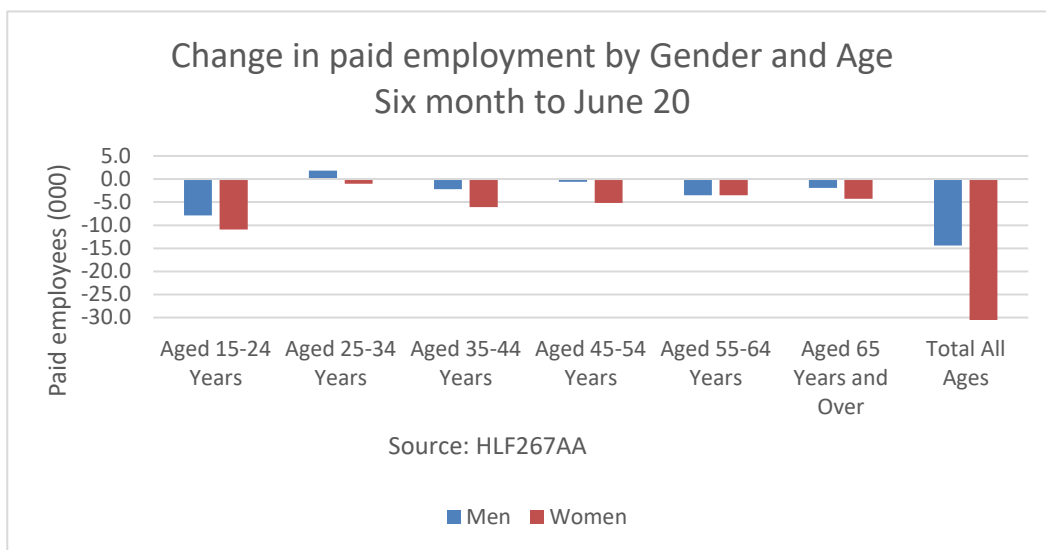
<sup>3</sup> <https://thespinoff.co.nz/business/05-08-2020/11000-new-zealanders-have-lost-their-jobs-and-10000-of-them-were-women/>

<sup>4</sup> <https://www.stats.govt.nz/information-releases/labour-market-statistics-june-2020-quarter>

This I feel is the most evocative graph showing the effect on employment – excluding self-employment - for men and women which provides a similar, albeit less stark, picture.

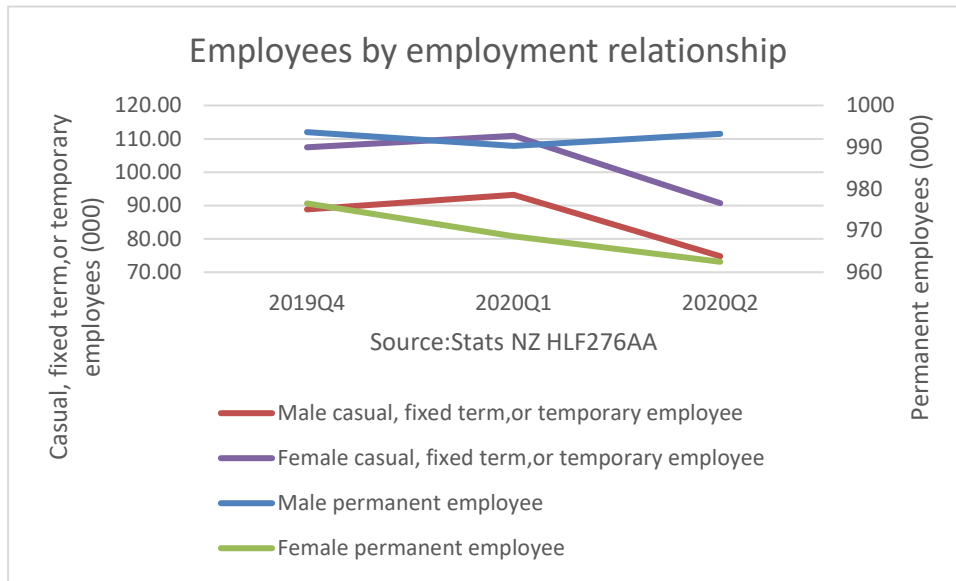


Unpicking it further shows that this change in women’s salary and wage employment predominately affected young women<sup>5</sup> ...

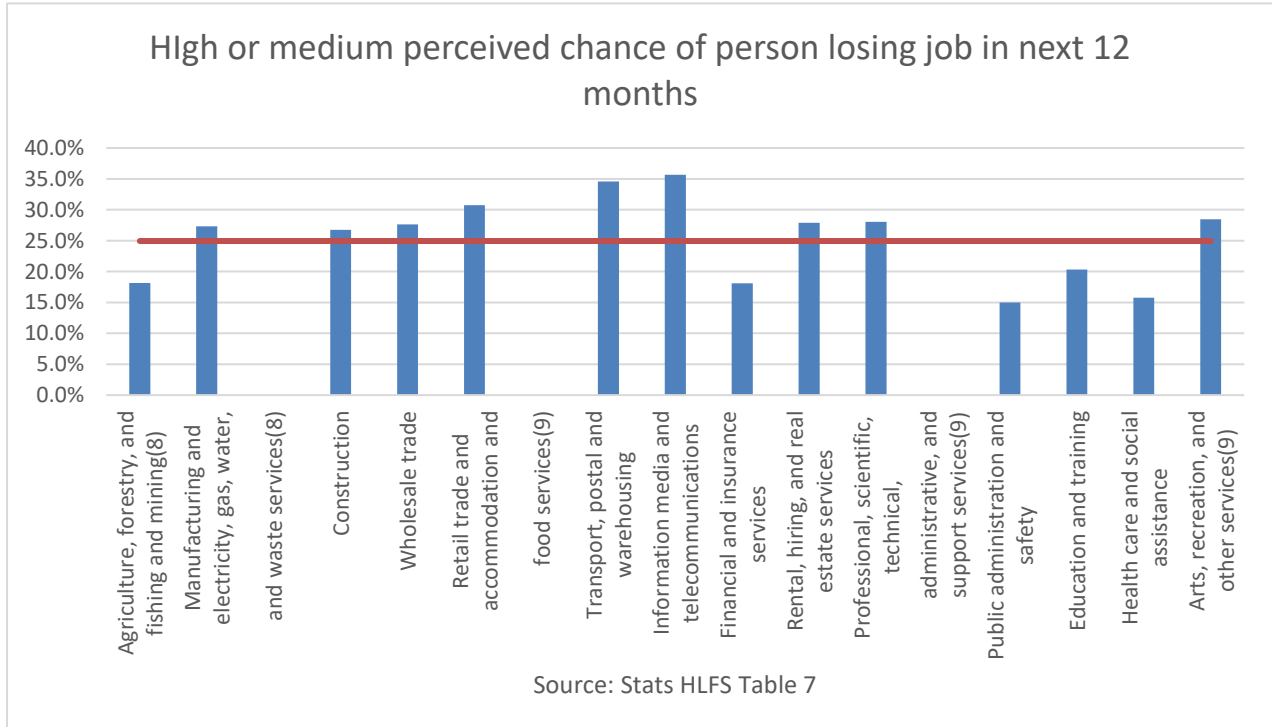


<sup>5</sup> There will be some unadjusted seasonal effects in here as well, looking at the annual effect as well as the June quarter however – both show an impact with young women albeit with different effects for young men.

... and those with casual, fixed term and temporary employment relationships – which is also likely to be disproportionately the young.<sup>6</sup>



However, it is fair to say it would all have been much worse without the wage subsidy and is likely to get worse again in the coming months. A recent survey by Stats NZ has shown that almost 25% of those in a job or with a business feel they have a high or medium possibility of losing their employment or business. This graph breaks it down by industry.



<sup>6</sup> As per previous footnote. These are not seasonally adjusted.

## Unemployment at 4% - sorry what?

The real surprise of the August Labour Market Statistics - if any of you can remember back to a world pre- Covid 2.0 – was that **unemployment came out at 4%**. Much lower than commentators – including me – thought would be the case.<sup>7</sup>

**Table 1.2** – Economic forecasts

Year ending June	2019	2020	2021	2022	2023	2024
Annual average % change	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Private consumption	3.0	-6.4	4.7	5.9	3.8	3.6
Public consumption	3.5	6.0	1.9	1.7	1.5	1.4
Residential investment	2.2	-12.4	-0.4	20.0	8.4	5.9
Business investment <sup>1</sup>	2.5	-12.4	0.9	14.1	5.6	3.7
Exports	2.8	-8.7	-16.1	20.2	9.5	5.7
Imports	1.7	-7.7	-5.9	14.0	6.2	4.4
<b>GDP (expenditure measure)</b>	<b>2.5</b>	<b>-4.8</b>	<b>-0.9</b>	<b>8.7</b>	<b>4.7</b>	<b>3.6</b>
<b>GDP (production measure)</b>	<b>2.8</b>	<b>-4.6</b>	<b>-1.0</b>	<b>8.6</b>	<b>4.6</b>	<b>3.6</b>
Real GDP per capita	1.3	-5.9	-2.0	7.6	3.5	2.3
Employment	1.8	-1.0	-2.4	5.0	2.8	2.2
Unemployment rate <sup>2</sup>	4.0	8.3	7.6	5.7	5.2	4.8
CPI inflation (annual % change)	1.7	1.3	0.8	1.5	1.8	1.9
Current account balance (annual, % of GDP)	-3.4	-2.0	-5.7	-4.2	-3.8	-3.6
Exchange rate (TWI) <sup>3</sup>	72.7	66.0	67.1	68.1	68.2	70.0
90-day bank bill rate <sup>4</sup>	1.7	0.5	0.5	0.5	0.5	0.5

Sources: Reserve Bank of New Zealand (RBNZ), Stats NZ, the Treasury

Economic forecasts are presented on a June year basis for consistency with the fiscal forecasts.

- Notes:
- 1 Business investment is the total of all investment types, it includes public investment but excludes residential investment.
  - 2 Percent of the labour force, June quarter, seasonally adjusted.
  - 3 Trade weighted index, average for June quarter.
  - 4 Average for the June quarter.

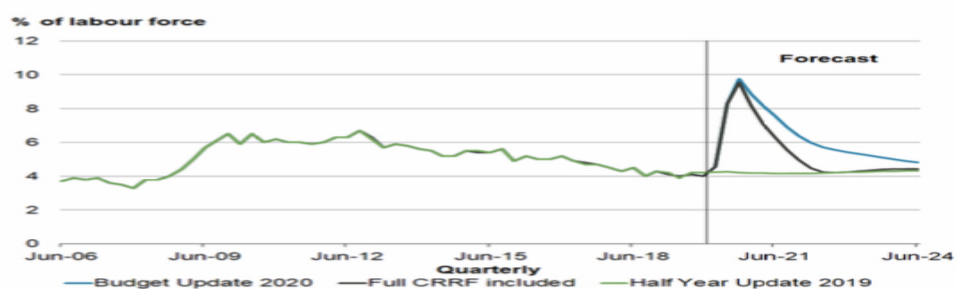
**Treasury**, for those that had been following along, at the time of the Budget **was forecasting** unemployment in the June 20 quarter to be **8.3%**, **peaking at 9.8% in the September 20 quarter**.

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<sup>7</sup> I had picked between 6 and 7%. This was based on the NZ Activity index showing an almost return to 'normal' adjusted for the fact that there were an additional 70,000 people on JobSeeker or Covid Income Relief Payment compared to last year. So an informed guess in other words.

<sup>8</sup> <https://treasury.govt.nz/sites/default/files/2020-07/befu20-v2.pdf>

**Figure 1.4 – Unemployment**

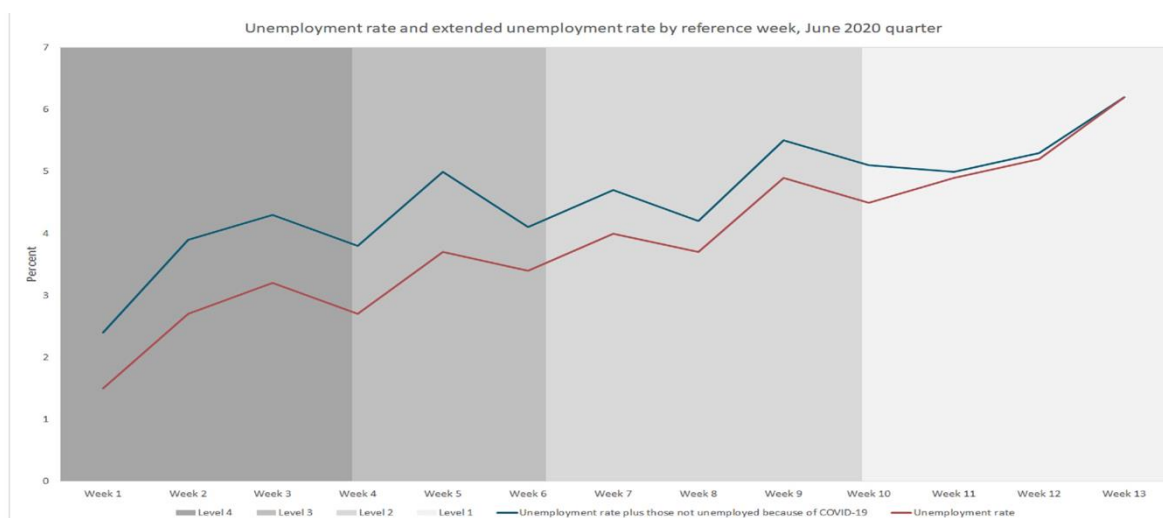


Sources: Stats NZ, the Treasury

The Treasury forecasts, put together while we were still at Alert Level 3, were on the basis that we would spend longer in Level 4 and 3 than we did in the end. So, it was quite predictable that all the economic indicators would end up being better than was set out in the Budget documents.

But 4% - the unemployment level pre-Covid 1.0? How did that come about?

While the methodology used by Stats NZ – averaging reference weeks of the survey - was unchanged, the nature of the period meant that it included the entire lockdown response and recovery. All which would have had greatly different characteristics.<sup>9</sup>



This is shown by Stats NZ’s graph of the rates by reference week.<sup>10</sup> By the end of June the unemployment rate was getting closer to the 6% expected by me and other commentators. However, it is important to note that this data has very high sample errors and a volatile

<sup>9</sup> <https://www.stats.govt.nz/methods/covid-19-and-labour-market-statistics-in-the-june-2020-quarter>

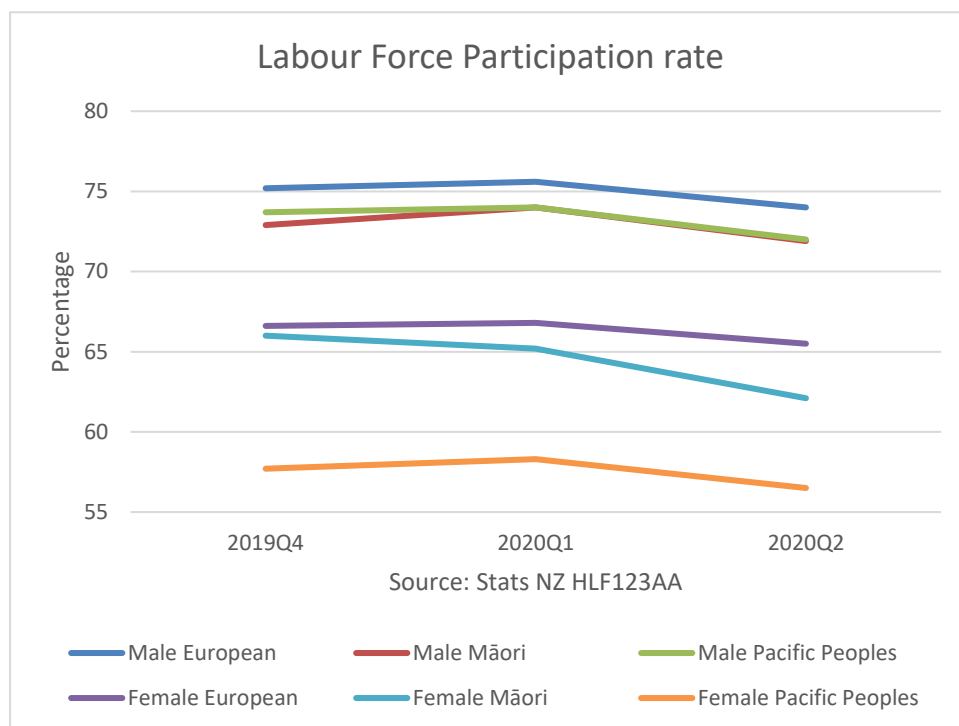
<sup>10</sup> <https://www.stats.govt.nz/news/covid-19-slows-labour-market-activity>

measure that Stats NZ wouldn't usually publish since each week is made up of only a fraction of the survey's sample.

### But Labour Force Participation – it's down

The Labour Force Participation rate is the number of people who have any form of paid work even if they want more, plus those who have no paid work but are actively looking for work divided by the working age population. <sup>11</sup>

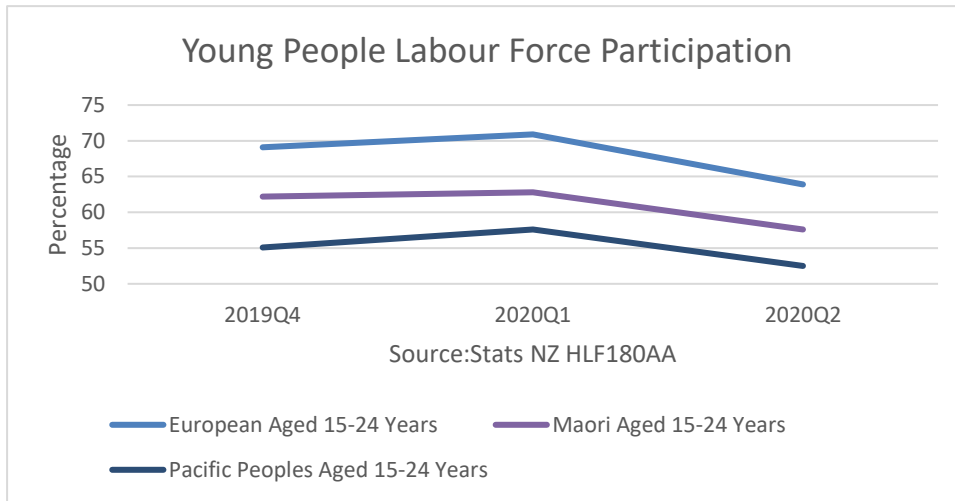
Those who would like to have paid work but face barriers while included in the underutilisation statistics - discussed below - are not included in the labour force participation calculations.



By gender and ethnicity this has declined across all groups but in percentage point terms more for Māori women (down from 66% to 62%) than for other groups. While there can be seasonal aspects to this, it indicates an **increase of people facing barriers to paid employment and leaving the labour force albeit potentially temporarily.**

<sup>11</sup> [https://www.ilo.org/ilostat-files/Documents/description\\_LFPR\\_EN.pdf](https://www.ilo.org/ilostat-files/Documents/description_LFPR_EN.pdf)

In terms of age group, it was the 15-24 age group where there was the most significant impact. For all races there was a 5-percentage point reduction in those participating in the Labour Force.

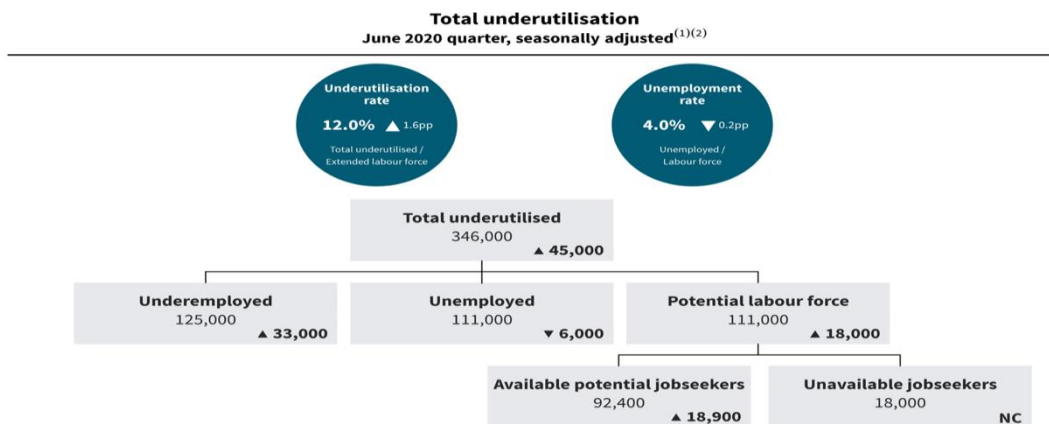


**Underutilisation – up 2 percentage points to 12%**

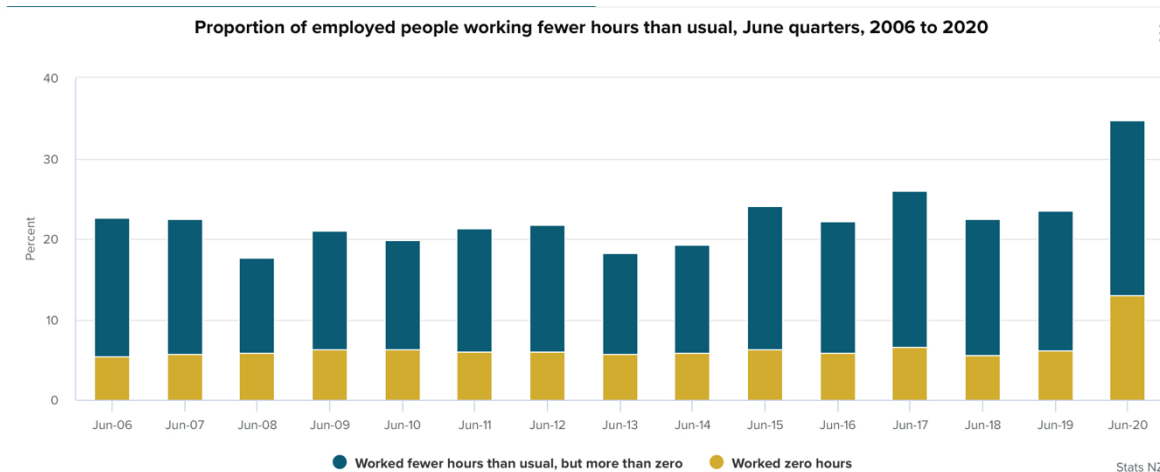
But the indicator I was most looking for was that of underutilisation. This is because, it includes everyone that is not engaging with the labour market as they would prefer.

As well as the officially unemployed - it includes people who have paid work but want more or people who want paid work but face barriers to getting a job. Neither group are picked up in the unemployment statistics as they already have some paid work or they are not actively looking for work.

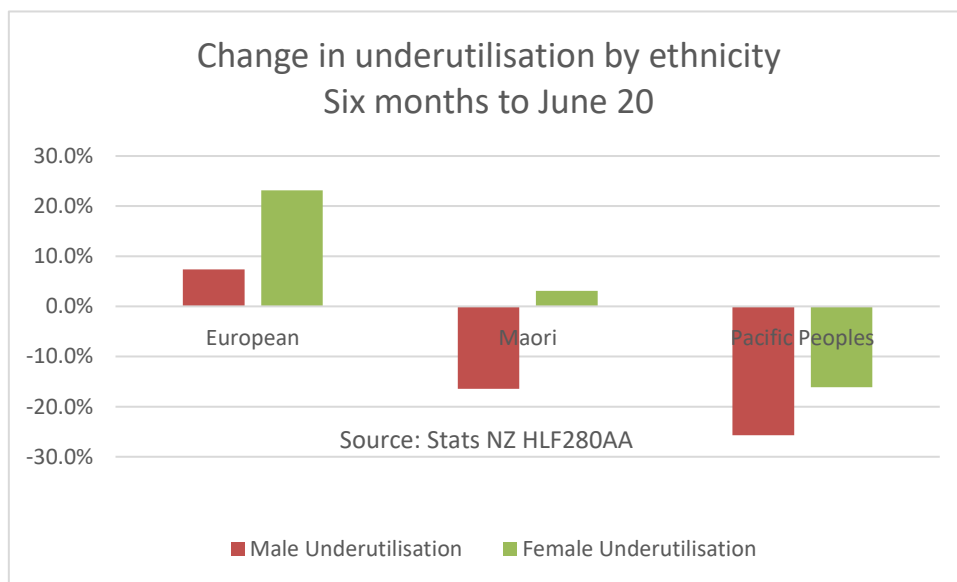
And that measure showed a significant increase from just over 10% in the March 20 quarter to 12% in the June 20 quarter.



The underemployment was significantly driven by a reduction in hours worked. This will be a combination of a reduction in hours worked for occupations that couldn't operate during Alert Levels 4 and 3 as well as reducing hours being used by employers, with reduced demand or sales, as a mechanism of retaining workforces.



Looking at this by gender and ethnicity, it shows a large increase in underutilisation of European women and a much smaller one for Māori women in the six months since December 2019. Interestingly Māori Male, Pasifika Male and Female underutilisation has declined. Normally this would be a cause for celebration but I was interested whether this was as a result of them leaving the extended labour force rather than becoming employed.





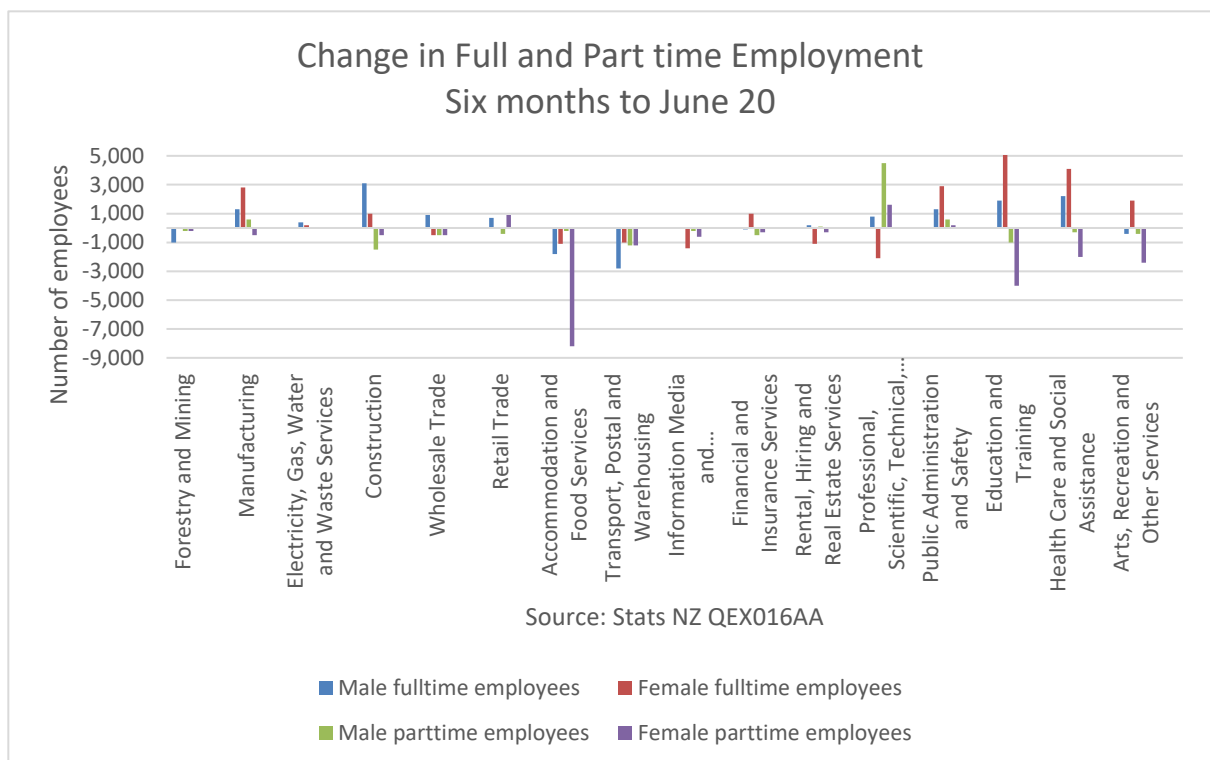
There are a number of complexities with the Pasifika workforce. For example, while the Working Age Population for Pacific peoples fell sharply in the June 20 quarter<sup>12</sup> the same thing happened the previous June quarter.<sup>13</sup>

It could also be seasonal effects operating as this graph only applies to a six-month period.

This was the basis of my opening comments that the data are unclear or contradictory when considering ethnicity and so I am unable to draw any firm conclusions.

### Employment data by industry – results may vary

Bringing in industry as well as full and part time employment, it is female part time employment in Accommodation and Food Services – hospitality, Education and Training, Health Care and Arts and Recreation, and female full time Professional and Scientific that saw the largest declines over the six months to June 20.<sup>14</sup>



This is also reflected in the earnings data by industry with the Accommodation and Food Services

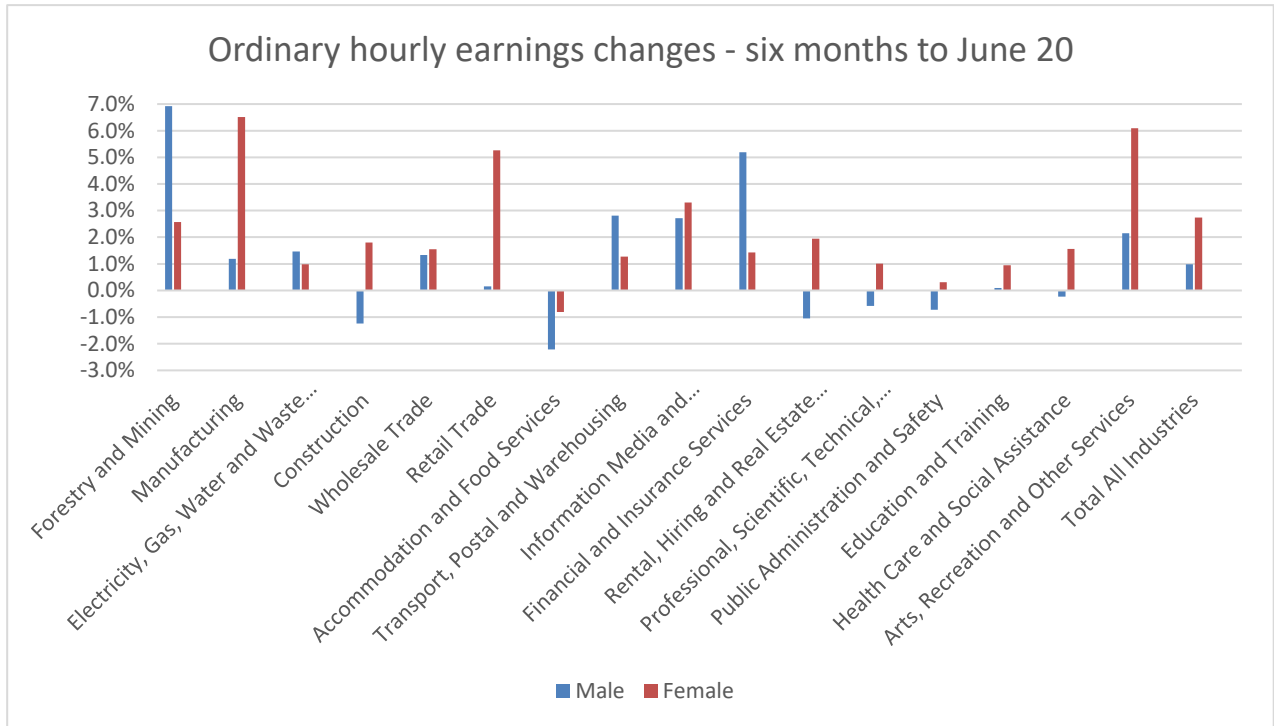
<sup>12</sup> From 276,900 to 251,600

<sup>13</sup> From 264,800 to 244,900

<sup>14</sup> <sup>14</sup> These numbers are not seasonally adjusted with effect that normal seasonal trends may be included as well as the effects of the change in the economy due to Covid-19.

declining in a period where the minimum wage increased. This could indicate that people on wages above the minimum wage being replaced by those on lower wages – albeit the higher minimum wage.

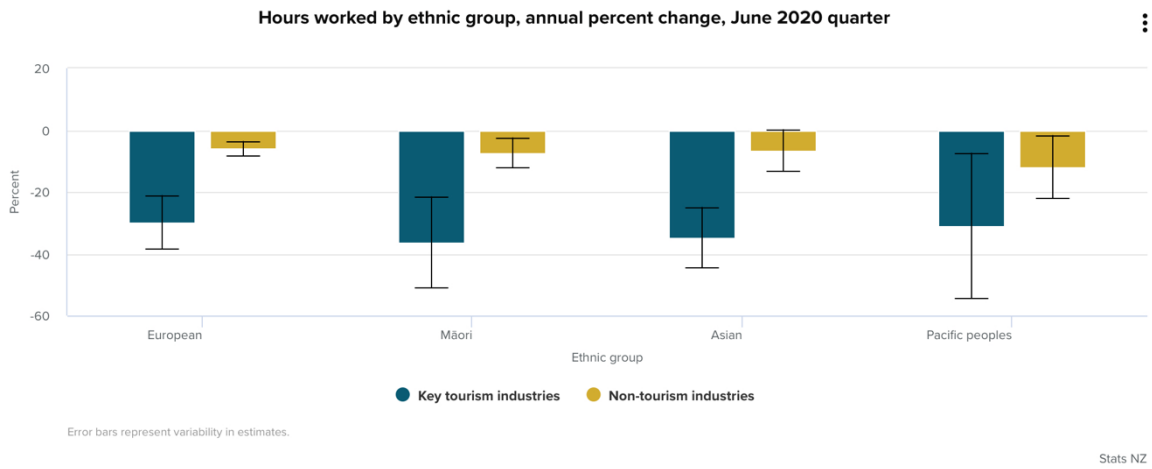
It could, however, more prosaically simply reflect people only receiving the wage subsidy or 80% of their usual wage. Although that would also have been the case for Retail and Construction and below doesn't didn't show a decline in incomes.



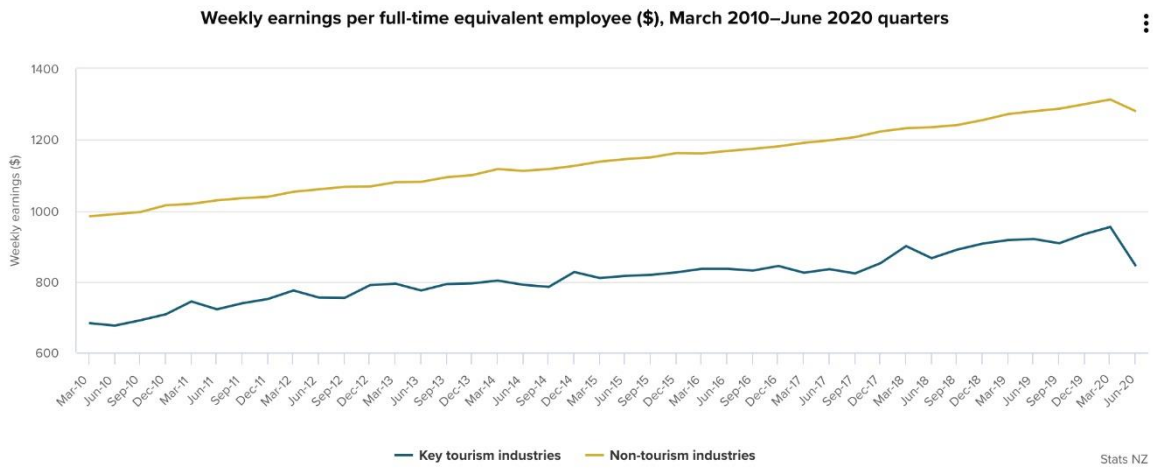
**Tourism**

With the borders shut, international tourism would be expected to be a key area that would be affected. This is quite clear with the declines in wages and employment in the Accommodation and Food Services sector.

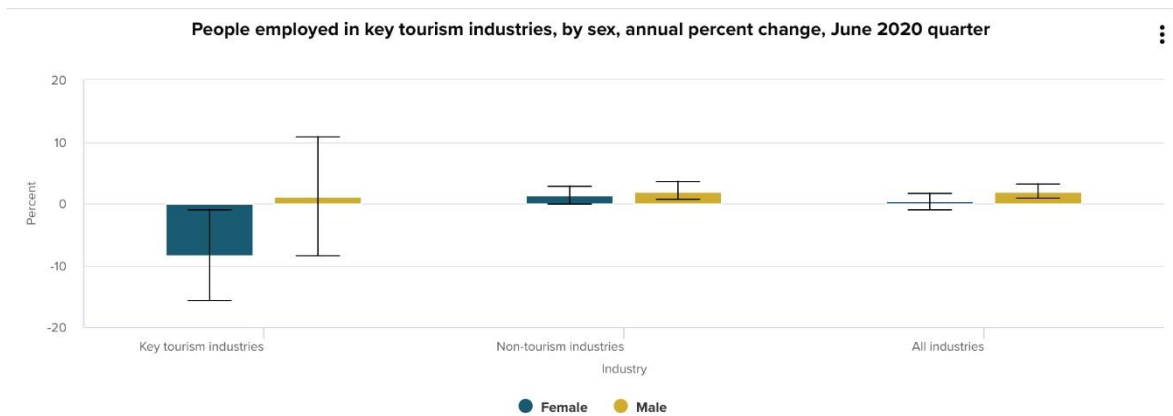
For Tourism specifically, Stats NZ recently analysed this sector. Unsurprisingly they found hours worked, ...



... weekly earnings,

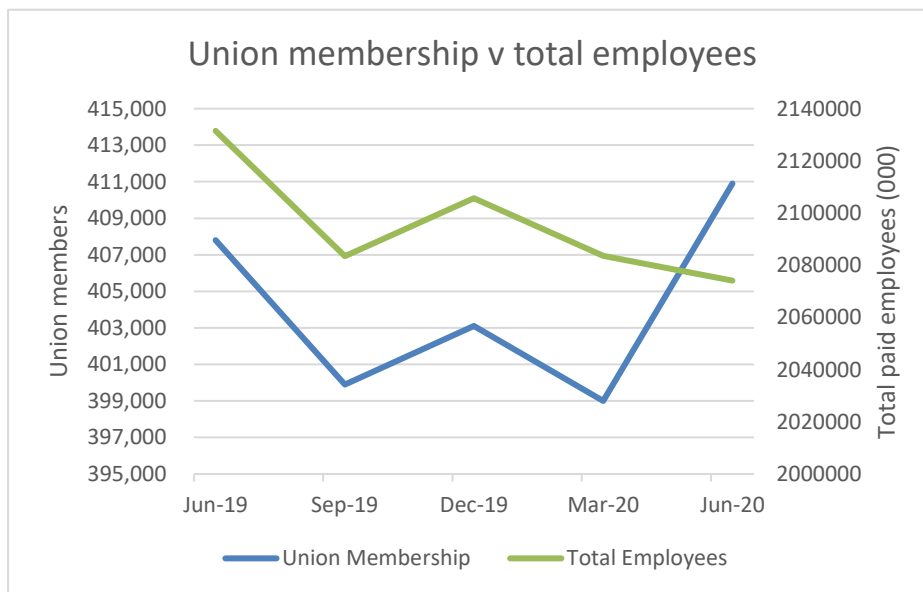


... and people employed all down in this sector with a disproportionate decline compared to the non-Tourism sectors.

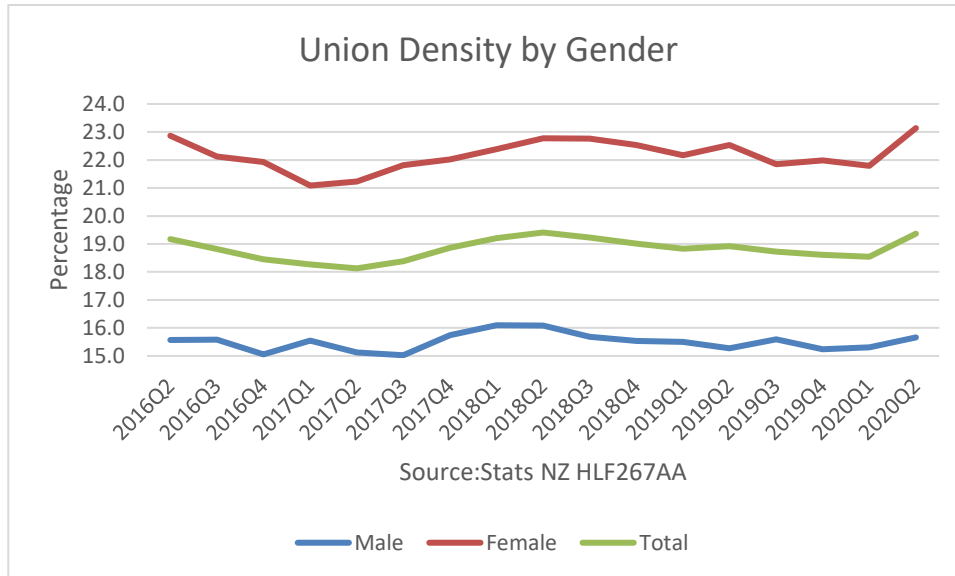


### Union Membership

There was one tiny glimmer of good news in these statistics – particularly for the union movement. Union density is up. While part of the reason is that the employment base has fallen – far from good news – actual union membership has increased. To me it shows the results of all the hard work unions have done for their members over this difficult time.



It has also disproportionately increased for women increasing 1.1 percentage points since December 2019 while increasing 0.5 percentage points for men over the same period.



As always, I welcome feedback to [andreab@nzctu.org.nz](mailto:andreab@nzctu.org.nz).

Kia Kaha

**Andrea**

The [NZIER consensus forecast](#) was released on 15 June 2020

Annual Percentage Change (March Year)	2019/20	2020/21	2021/22	2022/23
<b>GDP</b>	1.7	-9.0	6.9	4.3
<b>CPI</b>	2.5	0.2	1.1	1.6
<b>Private Sector average hourly wage</b>	3.4	1.3	1.9	2.1
<b>Employment</b>	1.5	-5.0	3.1	3.1
<b>Unemployment rate (% of labour force)</b>	4.2	8.2	7.2	4.2

## Economic Indicators – August 2020

Bernard Hickey is calling our recovery a ‘K’ shaped recovery – with the effects on the rich and the poor being quite different.<sup>15</sup> Interestingly he uses a number of the indicators I have been tracking here for the last few months.

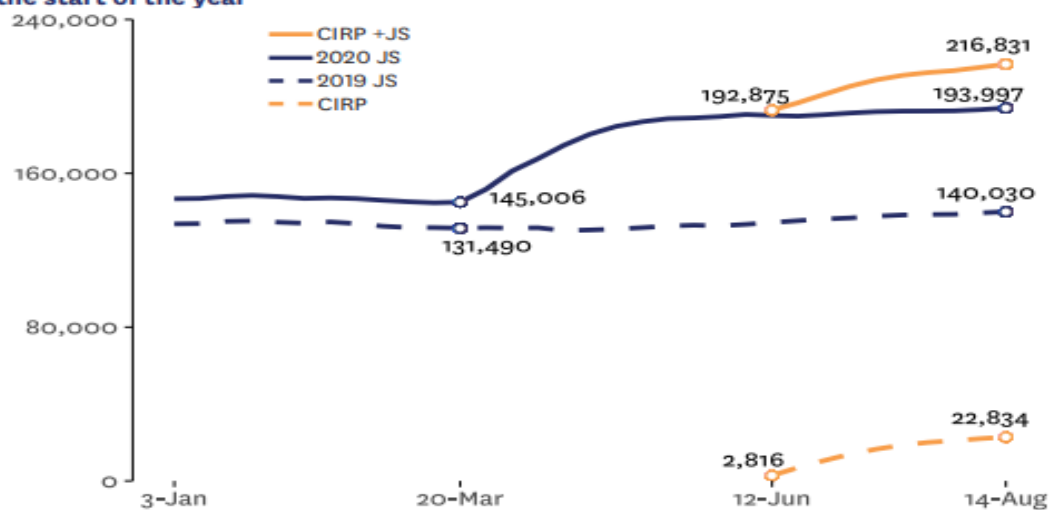
In July and August, the House Share and Bond markets all continued to rise, in some cases, to levels higher than pre-Covid. All presumably as a result of the low interest rates caused from the [quantitative easing by the Reserve Bank](#).

Rent and Food prices continue to rise and in the case of food – its index is now showing that food has increased by more than the CPI over the last ten years.

### 1) Jobseeker Support and Covid-19 Income Relief Payment<sup>16</sup>

In the period leading up to the change in Alert levels, the numbers of people on Jobseeker Support and the Covid Income Relief Payment are sitting at approximately 65,000 people higher than was the case this time last year. This seems consistent with the final reference week for the survey of unemployment rate as well as the underutilisation statistics discussed previously.

1. Number of JS (working-age) and CIRP recipients (16 and older) for each week from the start of the year

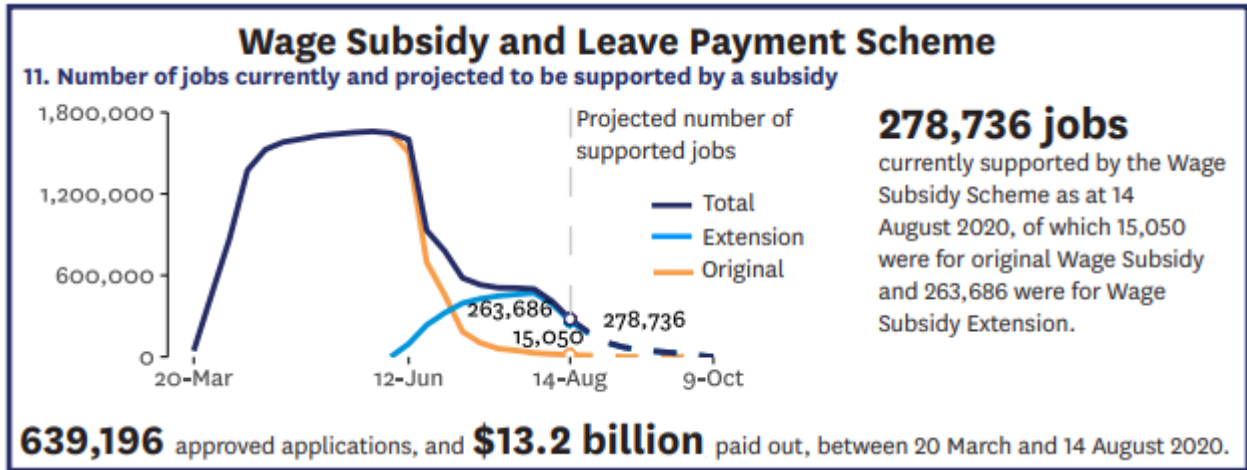


<sup>15</sup> <https://www.newsroom.co.nz/nzs-k-shaped-covid-19-recovery>

<sup>16</sup> <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/benefit/2020/income-support-and-wage-subsidy-weekly-update/income-support-and-wage-subsidy-weekly-update-14-august-2020.pdf>

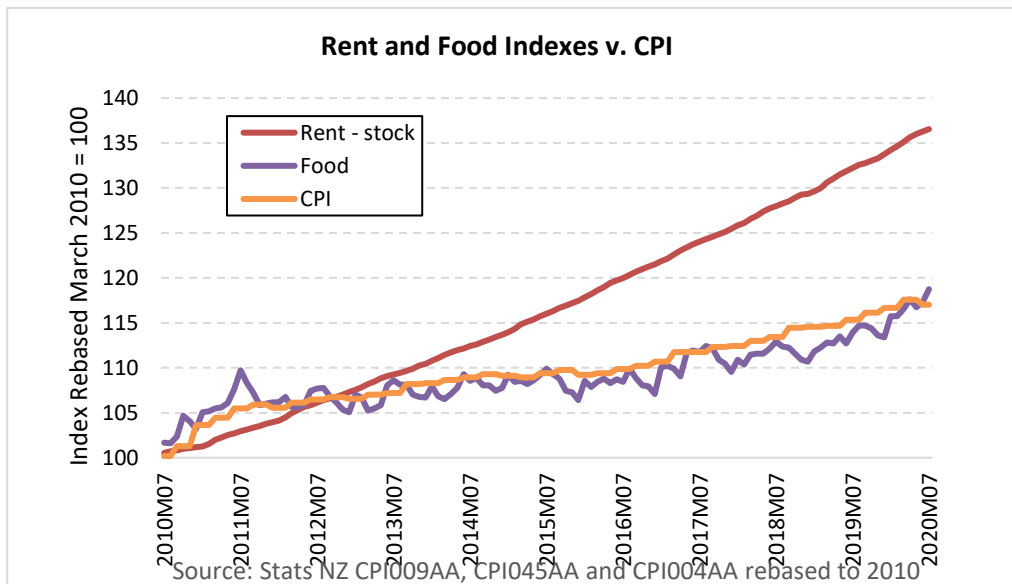
## 2) Wage Subsidy

Unfortunately, MSD have changed the format of this presentation but \$13 billion has been paid out relating to approximately 1.5 million employees and 250,000 self-employed.



## 3) Rent, Food and CPI.<sup>17</sup>

Notwithstanding the rent freeze, the Rent index continues to rise by 0.2% in the month of July and 3.3% for the year to July. The Food index has risen 1.2% in the last month and 4.2% in the year to July primarily driven by the increase in the cost of fruit and vegetables.



<sup>17</sup> I had briefly flirted with using the flow measure for rents - changes in new tenancies - rather than stock – the rents associated with all tenancies based on bond data – as the flow data was showing some tiny levels of decrease. However as both indices are now continuing to go up I have reverted to the stock measure as it shows a cleaner trend.

#### 4) The sharemarket

At 31 August 2020, the sharemarket had passed the late February 2020 peak of 12,073.<sup>18</sup>



#### 5) Bonds<sup>19</sup>

Not just up – but at record highs.



<sup>18</sup> <https://www.bloomberg.com/quote/NZSE50FG:IND>

<sup>19</sup> For bonds, usually it is the yields that are tracked rather than the price of the bonds and so it can be difficult to find out what is happening to the price. As a proxy I am looking at the exchange traded fund for New Zealand bonds.

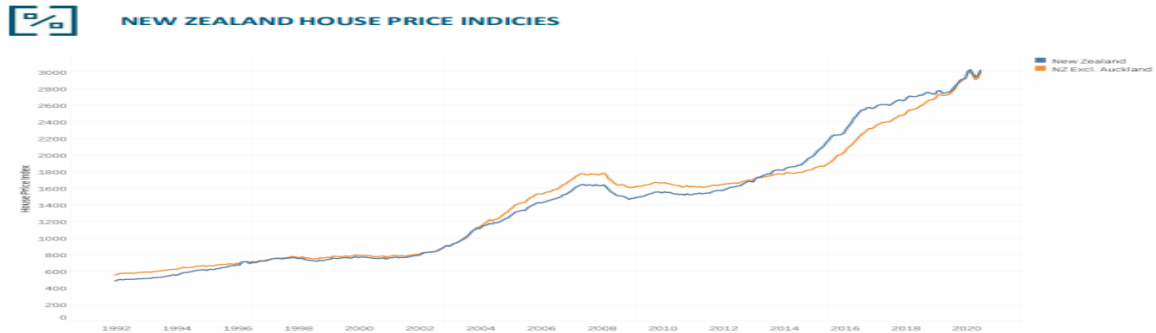
<https://www.nzx.com/instruments/NZB>



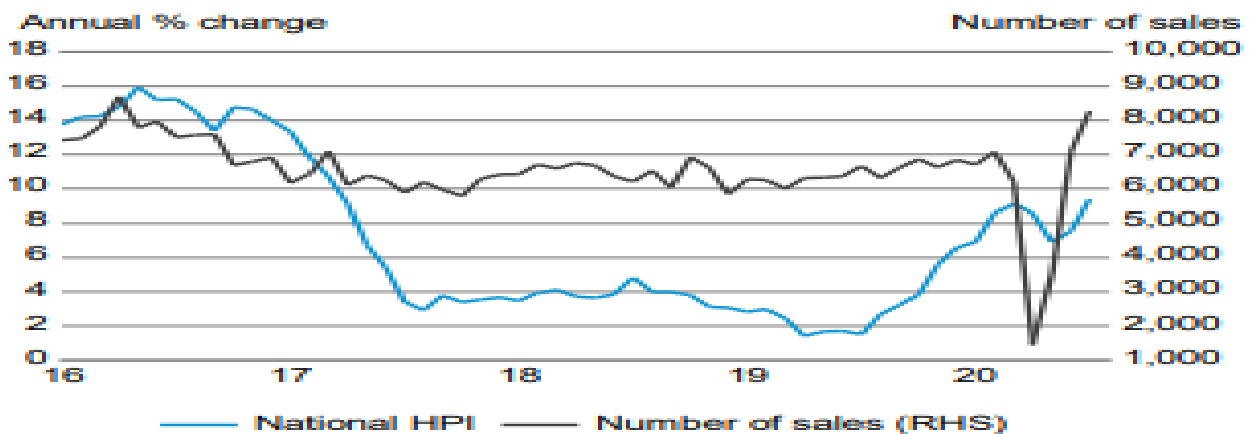
## 6) House prices<sup>20</sup>

The brief Lockdown 1.0 price drop is now over and house prices as at July are continuing their rise again. The decline I has hoped for in [March](#) is now but a memory.

### NATIONAL HOUSE PRICE INDEX FIGURES



**Figure 5: REINZ house prices and sales**



<sup>20</sup> <https://www.reinz.co.nz/Media/Default/Statistic%20Documents/2020/July/REINZ%20Monthly%20HPI%20Report%20-%20July%202020.pdf>  
<https://treasury.govt.nz/publications/weu/weekly-economic-update-17-july-2020-html>

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## **Notes**

This bulletin is available online at <http://www.union.org.nz/economicbulletin220>. For further information contact [Andrea Black](#)

