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Commentary

The union pay premium, 2019

Summary

In July, the Centre for Labour, Employment and Work (CLEW) at Victoria University released their annual analysis of collective employment agreements (CEAs). It shows again that people who are part of a collective get better pay rises: the union pay premium.

For the year to June 2019 CLEW finds that, on average, wages in collectives rose by 2.8 percent, appreciably higher than the 2.3 percent last year. Over the same period, the LCI rose less: by 2.1 percent (and 1.9 percent last year). Helped by the rise in the Minimum Wage, private sector collective pay rates rose a strong 3.5 percent, the highest increase since 2010 and well up from last year (2.9 percent). However the private sector LCI rose only 2.2 percent, little changed from the 2.1 percent last year, but the highest since 2009. Central government CEA wage rates rose 2.3 percent (the highest since 2011), which was the same rate as the increase in the central government LCI. Local government CEA pay rates rose 4.3 percent (up from 2.8 percent in 2018), much more than the local government LCI which rose 1.8 percent.

In every case except Central Government in 2019 there was a clear union premium, confirming the longer term picture: that there is a worthwhile premium for being on a CEA. In Central Government, where people in CEAs make up a large proportion of the LCI increase, it rose the same as did CEA wage rates. Further, virtually all jobs on CEAs get a pay rise (only 1 percent didn't in 2018) but of those not on a CEA, only 53 percent got a rise.

Comparing by industry, CEA pay increases are again higher than those shown in the LCI. In both 2019 and over the eight years 2011 to 2019, CEA increases were higher in all industries we can compare except Health Care and Social Assistance. This outlier may be due to measurement issues: the CEA and LCI increases were very close in that industry over the eight year period.

Looking at the longer run, a job on a wage of $15.00 in June 1993 (around the average hourly wage) would be paying $28.46 in June 2019 if it had risen at the rate of increase in CEAs, but only $25.47 if it had risen at the rate of the LCI, a 11.7 percent CEA premium. For the private sector, the premium is 19.5 percent. For Central Government, the premium is quite small at 3.9 percent, as expected because of much higher rates of unionisation and collective agreement membership in that sector. In Local Government, the premium is 18.3 percent.

There is mixed evidence as to the number of workers directly benefitting from these union-negotiated increases. CLEW data shows an increase in numbers in CEAs and a small rise in the proportion of workers. However Statistics New Zealand's Household Labour Force Surveys showed a larger number of employees who said they were on CEAs in June 2019, but this had fallen over the year. Whichever is true, it is hard work for unions to do their job of creating a fairer balance in who gets income, resources and influence in New Zealand. But they are doing that job, as the pay premium shows.

The Centre for Labour, Employment and Work (CLEW) at Victoria University released the 2019 edition of their annual analysis of collective employment agreements (CEAs)[1] in July. As in previous years, its data shows that people who are part of a collective do better in pay rises. In this commentary, I update the "union premium" for 2019 – how much more people on CEAs, negotiated by unions, receive.

The pay advantage in collective agreements

As I usually do (see the September 2014 *Economic Bulletin* for more details of why) I compare the CEA increases with the Labour Cost Index (LCI) which covers all workers (see the box for the reasons). The LCI and CLEW's increase in CEAs are not calculated in the same way (see the technical note at the end of this commentary) so some of the difference found by the comparison could be due to measurement issues, but the comparison is still a useful one.

> **Why compare to the LCI?**
>
> I compare the LCI to CEA increases rather than for example the average wage because both CEAs and the LCI are concerned with the rate for the job rather than the individual holding the job. The average wage includes pay increases for all kinds of reasons, and is affected by changes in the composition of the labour force (such as low paid people becoming unemployed). The LCI includes CEA-negotiated pay increases, but not rises due to the merits of the individual holding the job. However it is dominated by people on individual rather than collective agreements.

For the year to June 2019 CLEW finds that, on average, wages in collectives rose by 2.8 percent, appreciably higher than the 2.3 percent last year. Over the same period, the LCI rose less: by 2.1 percent (and 1.9 percent last year). Helped by the rise in the Minimum Wage, private sector collective pay rates rose a strong 3.5 percent, the highest increase since 2010 and well up from last year (2.9 percent). However the private sector LCI rose only 2.2 percent, little changed from the 2.1 percent last year, but the highest since 2009. Central government CEA wage rates rose 2.3 percent (the highest since 2011), which was the same rate as the increase in the central government LCI. While the CEA central government rise was well behind the private sector, the LCI showed them as similar. Central government rises have been well behind the private sector since 2012 (2011 in the case of the LCI). Finally, local government CEA pay rates rose 4.3 percent (up from 2.8 percent in 2018), much more than the local government LCI which rose 1.8 percent.

Apart from Central Government, in 2019 there was a clear union premium. Given Central Government is the sector with greatest union and collective coverage, so they make up a large proportion of wages measured in the LCI, that is not very surprising though a premium did exist in most previous years (the exception being under the last Labour-led Government). See the graphs on the next page (Figure 1). As will be seen below, there was also a union premium in the great majority of industries we can compare. This confirms the longer term picture: there is a worthwhile premium for being on a CEA.

These figures understate the CEA premium because the LCI includes people on a CEA as well as those on individual agreements: if they could be separated out, the gap between CEAs and individual agreements would be even bigger.

A job on a wage of $15.00 in June 1993 (around the average hourly wage) would be paying $28.46 in June 2019 if it had risen at the rate of increase in CEAs, but only $25.47 if it had risen at the rate of the LCI, a

[1] Blumenfeld, S., Ryall, S., & Kiely, P. (2019). *Employment Agreements: Bargaining Trends and Employment Law Update 2018/19*. Centre for Labour, Employment and Work, Victoria University of Wellington.

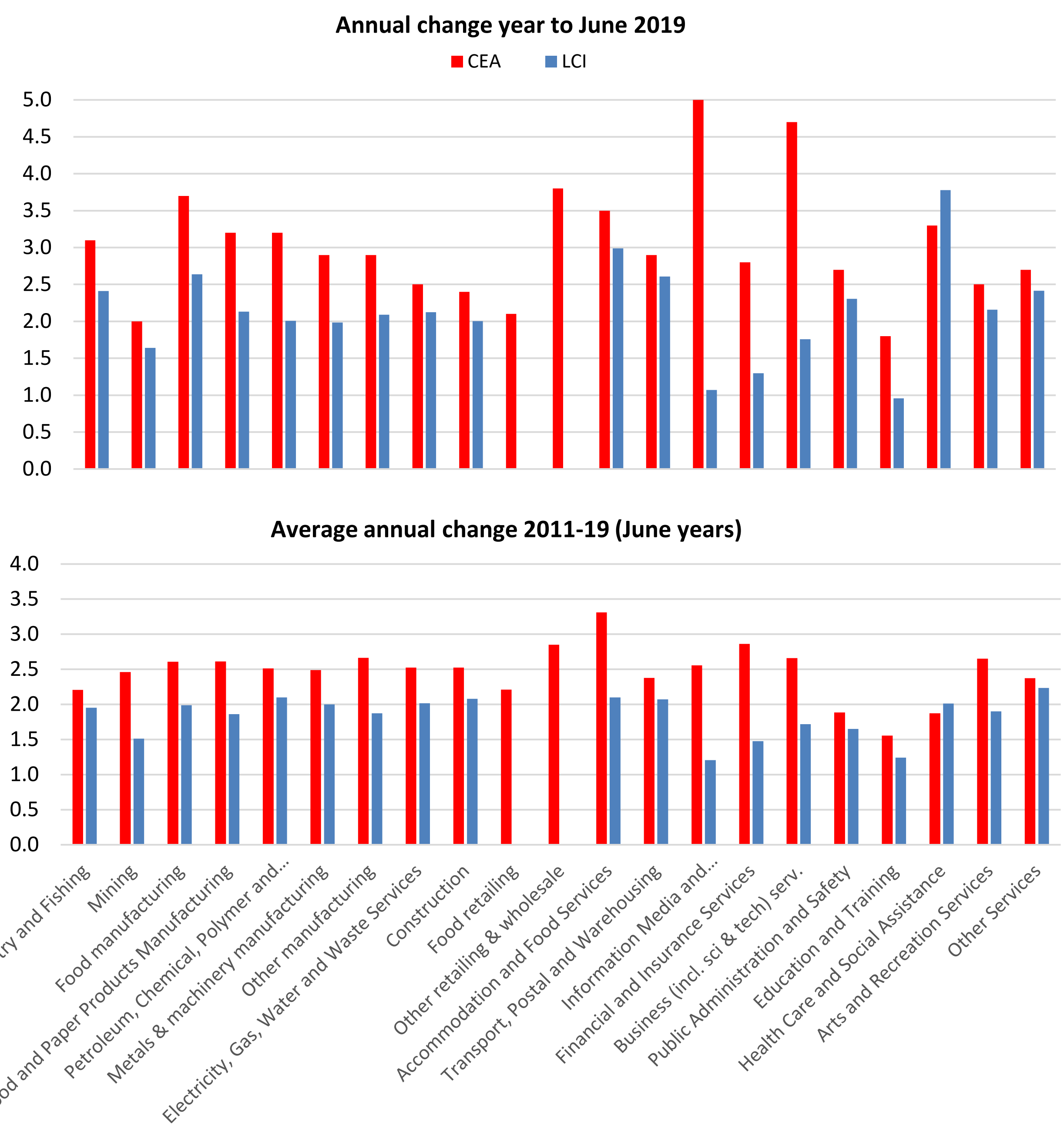
11.7 percent CEA premium. For the private sector, the premium is 19.5 percent: $30.24 for CEAs compared to only $25.30 for the LCI. For Central Government (which includes both core public service and the wider state sector such as health and education), the premium is quite small at 3.9 percent, which would be expected as the result of much higher rates of unionisation and collective agreement membership in that sector. In Local Government, the premium is 18.3 percent.

Figure 1: Average annual increases to 2018, comparing Collective Agreements (CEAs) with LCI

By industry

Comparing by industry, CEA pay increases are again higher than those shown in the LCI. Figure 2 shows the comparison for 2019 and for average annual increases from 2011 to 2019 which is as far back as CLEW data is available. In both 2019 and over the eight years 2011 to 2019, CEA increases were higher in all industries we can compare except Health Care and Social Assistance. I suggested last year that the reason for Health Care and Social Assistance not showing a premium was probably because the care and support pay equity settlement would not have fully reflected in the CEA increase because of the way it is measured (usually using the lowest adult rate in the agreement) but did increase the LCI. The same could be true of other settlements this year such as for Nurses. This industry has high union and collective agreement coverage, but also some high paid workers in the private sector in areas of chronic skill shortage. Nevertheless, the increases are very close over the several years from 2011 to 2019 – probably as much to do with differences in methods of measurement than a real difference.

Figure 2: Annual changes in wages and salaries by industry, comparing CEAs with LCI



Frequency of pay rises

Information from the Labour Cost Index survey enables us to estimate how frequently jobs covered by collectives get pay rises compared to other jobs. CLEW shows that virtually all jobs on CEAs get a pay rise (only 1 percent didn't in 2019), but for jobs not on a CEA, only 53 percent got a rise. In general those on CEAs are more likely to get a rise of any given size. Between 2013 and 2018 those on a CEA were less likely to get an increase of greater than 5 percent, but in 2019 that has again been reversed. In all, jobs on CEAs are 1.9 times more likely to get a pay rise than those that are not. See Figure 3.

Figure 3: Proportion of those on CEA or not on CEA receiving increases

According to CLEW, the number of working people directly benefitting from these union-negotiated increases has been falling but increased a little in 2019. (Other workers may well benefit because in many firms and some industries the collective agreements set the benchmark for pay rises.) It fell to a low of 327,100 in 2017 but rose to 332,100 last year and 340,900 this year (provisional). I estimate that rise would mean that it covered a bit less than one in six or 15.8 percent of wage and salary jobs at June 2019, compared to 15.6 percent at June 2018 and 17.6 percent five years ago (2014). It rose in the public sector from 196,200 to 206,000 and fell in the private sector from 135,900 to 134,900.

A somewhat more optimistic picture comes from Statistics New Zealand's Household Labour Force Surveys which showed 401,700 employees said they were on CEAs in June 2019 (18.4 percent of employees), but this was down from 413,000 in June 2018 (19.2 percent).

So whichever is true, it is hard work for unions to do their job of creating a fairer balance in who gets income, resources and influence in New Zealand. But they are doing that job, as the pay premium shows.

Technical note: Measurement of the LCI and CEA increase

Labour Cost Index (LCI)

The data for the LCI is gathered from a survey of employers. Each is asked to select employees or positions on a salary scale (based on job descriptions) and report increases in their pay and hours worked from quarter to quarter and the reasons for those increases. Statistics New Zealand states:

> The LCI is a price index that measures change in pay rates for a fixed quality and quantity of labour input. We show price-related change in rates reported by respondents, such as those to reflect the cost of living, to match market rates, to retain staff, and to attract staff. We don't show changes in reported rates that are the result of service increments, merit promotions, increases (and decreases) relating to the performance of individual employees, and change in hours worked are not shown in the index, as they are considered to represent quality or quantity change. (http://tinyurl.com/y87cvffn)

In effect, the LCI reports on pay increases for the job rather than for the individual, though this is based on the employer's view of both the reason for the increase and whether or not the job has changed. Some of those pay increases are due to an increase in the rates in a CEA.

Collective Employment Agreement (CEA)

The Centre for Labour, Employment and Work calculates increases based on the movement in the minimum adult rate in the CEA. We use data reported in Table 3.1 of their report which is the weighted mean level of annualised wage change. It excludes agreements that expired prior to the beginning of the year (e.g. expired before June 2017 for the year to June 2018), or do not include wage rates, or for which it is not possible to calculate the increase from preceding agreements (such as if there is too big a gap between settlements, it is an establishment agreement, or the wage structure has changed). This year, the minimum rate was in many cases affected by the large rise in the statutory Minimum Wage. CLEW points out (p.33) that the increase received by those higher in the pay ranges of collectives often received less than the increase at the bottom.

Bill Rosenberg

Information

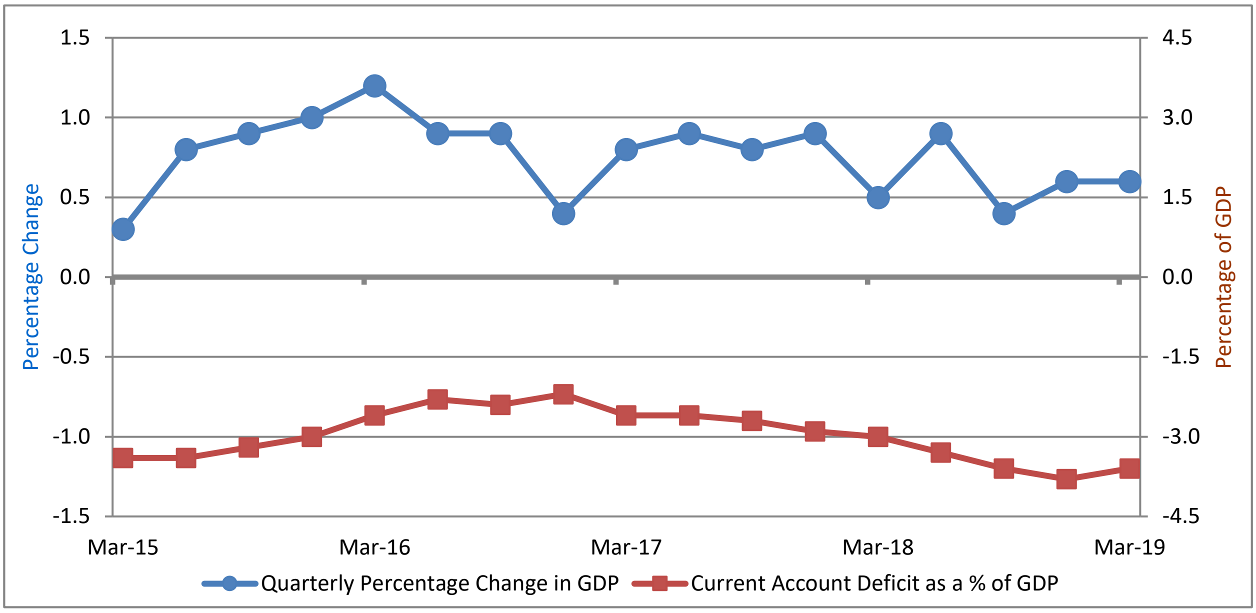
A ★ indicates information that has been updated since the last bulletin.

Forecast

- This NZIER consensus forecast was released on 17 June 2019.

Annual Percentage Change (March Year)	2019/20	2020/21	2021/22
GDP	2.5	2.9	2.6
CPI	2.0	1.9	2.0
Private Sector average hourly wage	3.4	3.2	3.2
Employment	1.7	1.6	1.5
Unemployment rate (% of labour force)	4.2	4.1	4.0

Economy



- Growth in New Zealand's measured economy in the three months to March 2019 was moderate, with Gross Domestic Product rising by 0.6 percent, the same as the 0.6 percent in the previous quarter, and up from 0.4 percent in the June quarter. Average growth for the year ended March 2019 was 2.5 percent (and 2.7 percent compared to the same quarter last year). Growth in GDP per person continues to be weak with a rapidly growing population: GDP growth per person was just 0.1 percent in the March quarter seasonally adjusted, down from a 0.2 percent increase in the December quarter, but up 0.9 percent over the previous year. GDP per person has been increasing at far below the rate in the 2000s when GDP per person was increasing at an average 2.4 percent a year. Since 2011 it has averaged 1.5 percent per year. Real gross national disposable income per capita, which takes into account the income that goes to overseas investors, transfers (such as insurance claims) and the change in prices for our exports and imports, rose 0.1 percent over the quarter and rose 0.6 percent over the year.

- I estimate that **labour productivity**, measured by production per hour worked in the economy, stayed almost still, growing 0.1 percent in the year to March compared to the same period a year ago, continuing weak labour productivity growth which is bad for future wage growth. It fell 4.2 percent in the quarter, seasonally adjusted.
- **Business investment** rose by 1.9 percent compared to the previous quarter, with a 8.0 percent fall in investment in Transport equipment and a 6.4 percent fall in Other Construction investment offset by strong rises in Non-residential buildings (up 9.9 percent). Investment in Land improvements fell 1.0 percent, in Intangible fixed assets fell 0.5 percent and Plant, and in Machinery and equipment fell 0.6 percent. Investment in Residential buildings was up 2.7 percent. All investment spending tends to be very variable from quarter to quarter, and can be significantly affected by a single large purchase such as an aircraft, so single quarter changes do not necessarily indicate trends. Comparing the year to March with the previous full year, growth in total investment including housing (Gross Fixed Capital Formation) was 2.5 percent but Business investment grew only 2.1 percent, down from 6.4 percent the previous year, driven by Non-residential buildings (up 7.2 percent), Plant, machinery, and equipment (up 2.6 percent) and Intangible fixed assets (up 2.3 percent) offset by falls in Other construction (down 3.9 percent) and Land improvements (down 1.1 percent) while investment in Transport equipment was unchanged. Residential buildings investment was up 3.5 percent.
- **Household consumption** expenditure grew 0.5 percent in the March quarter in real terms, after a 1.0 percent increase in December and increases of around 1.0 percent in quarters before that apart from a 0.3 percent increase in the March 2018 quarter. Purchases of durable goods (like electrical equipment and furniture) rose 1.4 percent, of non-durable goods (like food and groceries) rose 0.4 percent, and of services rose 0.3 percent. It rose a strong 3.5 percent over the same quarter in the previous year and 3.3 percent comparing the full year to March with the previous year when growth in spending was led by a 3.7 percent increase in purchases of services, followed by a 3.6 percent increase in durable goods purchases and 2.1 percent increase in no-durable goods.
- Inflation in the economy as a whole, shown by the **GDP deflator** (a price index for expenditure on the economy's production, largely reflecting the revenue employers are getting for their products) rose 1.4 percent compared to the same quarter the previous year, and rose 0.4 percent in the most recent quarter.
- **By industry**, the largest contributors to growth in the latest quarter were Construction (up 3.7 percent), Mining (up 9.6 percent), Manufacturing (up 1.4 percent), Health care and social assistance (up 1.7 percent) and Transport, postal and warehousing (up 1.2 percent). The largest fall in activity was in Agriculture, forestry, and fishing (down 2.3 percent). There were also contractions in Information media and telecommunications (down 0.6 percent), Retail trade and accommodation (down 0.5 percent) and Rental, hiring, and real estate services (down 0.2 percent). Year-on-year, the

biggest rises were in Transport, postal and warehousing (up 5.1 percent), Public administration and safety (up 4.5 percent), Wholesale trade (up 3.7 percent), Retail trade and accommodation (up 3.5 percent), Health and Social assistance (up 3.4 percent), Financial and insurance services (up 3.3 percent) and Agriculture, forestry and fishing (up 3.2 percent); only Mining contracted (down 5.9 percent).

- New Zealand recorded a Current Account deficit of $2.6 billion in seasonally adjusted terms for the March 2019 quarter, following a $2.7 billion deficit for the previous quarter. There was a deficit in goods trade ($1.1 billion, seasonally adjusted) following a $1.15 billion deficit in the previous quarter, with deficits in all quarters back to September 2014. There was a seasonally adjusted deficit of $87 million in goods and services (up from the $60 million deficit in the previous quarter) including a $1.0 billion surplus in services, while the deficit on primary income (mainly payments to overseas investors) was down a little to $2.4 billion from $2.6 billion (seasonal adjustment not available). For the year to March 2019, the current account deficit was $10.6 billion or 3.6 percent of GDP, down from the $11.2 billion deficit in the year to December (3.8 percent of GDP). The deficit on investment income was $10.2 billion for the year.

- The country's Net International Liabilities were $164.4 billion at the end of March 2019, down from $168.4 billion at the end of the previous quarter but significantly up from $156.2 billion a year before. The March liabilities were equivalent to 55.5 percent of GDP, down from the previous quarter (57.4 percent) and up from 54.8 percent a year before. Gross international liabilities were equivalent to 146.4 percent of GDP, compared to 145.9 percent in the previous quarter and 143.1 percent a year before. Net international liabilities would take 1.96 years of goods and services exports to pay off, down from 1.99 years a year before. However, gross liabilities at $433.6 billion would take 5.17 years of goods and services exports to pay off. The fall in net liabilities over the quarter was mainly due to rises in the net valuation of net financial derivatives which rose $3.2 billion. Without the valuation changes, the net liabilities would have been $169.1 billion. New Zealand's international debt was $295.7 billion (other than shares; equivalent to 99.8 percent of GDP), of which 30.2 percent is due within 12 months, compared to $145.4 billion in financial assets (49.1 percent of GDP), leaving a net debt of $150.2 billion (50.7 percent of GDP). Of the net debt, $3.6 billion was owed by the government including the Reserve Bank, and $119.1 billion by the banks (40.2 percent of GDP), which owed $163.5 billion gross.

- In international trade in services, exports amounted to $25.2 billion in the year to March 2019, of which over half ($16.0 billion) was Travel and another $3.3 billion was Transportation. Services imports were valued at $20.7 billion, leaving a surplus on services of $4.5 billion for the year. The largest areas of imported services were $4.9 billion in Transportation, $6.7 billion in Travel, $1.6 billion in Insurance and pension services, $0.5 billion in Financial Services, $1.3 billion in Charges for the use of intellectual property (such as franchises, trademark licensing and royalties), $1.3 billion in Telecommunication, computer, and information services (mainly computer services), and $3.5 billion in a variety of Other business services.

- ★ Overseas Merchandise Trade for the month of July 2019 saw exports of goods fall in value by 5.8 percent from the same month last year while imports rose 3.1. This contributed to a trade deficit for the month of $685 million or 13.6 percent of exports. There was a trade deficit for the year of $5.5 billion or 9.2 percent of exports. In seasonally adjusted terms, exports fell 7.3 percent or $368 million over the month (after a 0.3 percent fall the previous month), led by falls in Logs, wood and wood articles (down 5.8 percent or $26 million), Mechanical machinery and equipment (down 10.9 percent or $17 million), and Aluminium (down 14.4 percent or $16 million, not seasonally adjusted), offset by rises led by Fruit (up 20.4 percent or $52 million), Dairy (up 3.0 percent or $36 million), Meat (up 3.6 percent or $22 million) and Seafood (up 6.8 percent or $11 million). Seasonally adjusted imports rose 5.0 percent or $259 million on the previous month, leaving a trade deficit of $714 million following a $88 million deficit in the previous month. The increase in imports was led by Petroleum (up 47.0 percent or $227 million, not seasonally adjusted, after a 35.8 percent fall in the previous month), Mechanical machinery and equipment (up 23.8 percent or $159 million, not seasonally adjusted), Electrical Machinery and Equipment (up 6.5 percent or $29 million), Textiles (up 14.6 percent or $29 million), Plastics (up 15.0 percent or $26 million) and Optical, Medical and Measuring Equipment (up 4.9 percent or $8 million). None of the main import categories fell by value. In the year to July, 26.5 percent of New Zealand's exports went to China, 15.1 percent to Australia, 9.5 percent to the US, and 62.8 percent went to the top six countries buying New Zealand exports. This compares with 23.1 percent going to China in the previous year, and 60.1 percent going to the top six destinations. Over the same period, 20.0 percent of New Zealand's imports came from China (compared to 19.1 percent in the previous year), 11.6 percent from Australia, 10.0 percent from the US, and 58.4 percent from the top six countries selling to New Zealand, compared to 57.3 percent a year before. There were trade surpluses with China ($2.73 billion) and Australia ($1.40 billion) but deficits with most other major trading partners.

★ The Retail Trade Survey for the three months to June 2019 showed retail sales rose 2.9 percent by volume and 3.4 percent by value compared with the same quarter a year ago. They rose 0.2 percent by volume and 0.7 percent by value in the quarter, seasonally adjusted. The fastest rises by seasonally adjusted value over the quarter were in Recreational Goods (up 6.3 percent), Pharmaceutical and other store-based retailing (up 3.3 percent), Electrical and electronic goods (up 2.9 percent), and Fuel (up 2.4 percent), offset by decreases led by Specialised food (down 2.5 percent), Non-store and commission-based retailing (which includes online sales, down 0.8 percent), and Department stores (down 0.6 percent). By far the largest category, Supermarket and grocery stores, fell 0.5 percent.

★ The Performance of Manufacturing Index for July 2019 was 48.2, down from 51.1 in the previous month. The employment sub-index was at 42.6, down from 47.2 in the previous month.

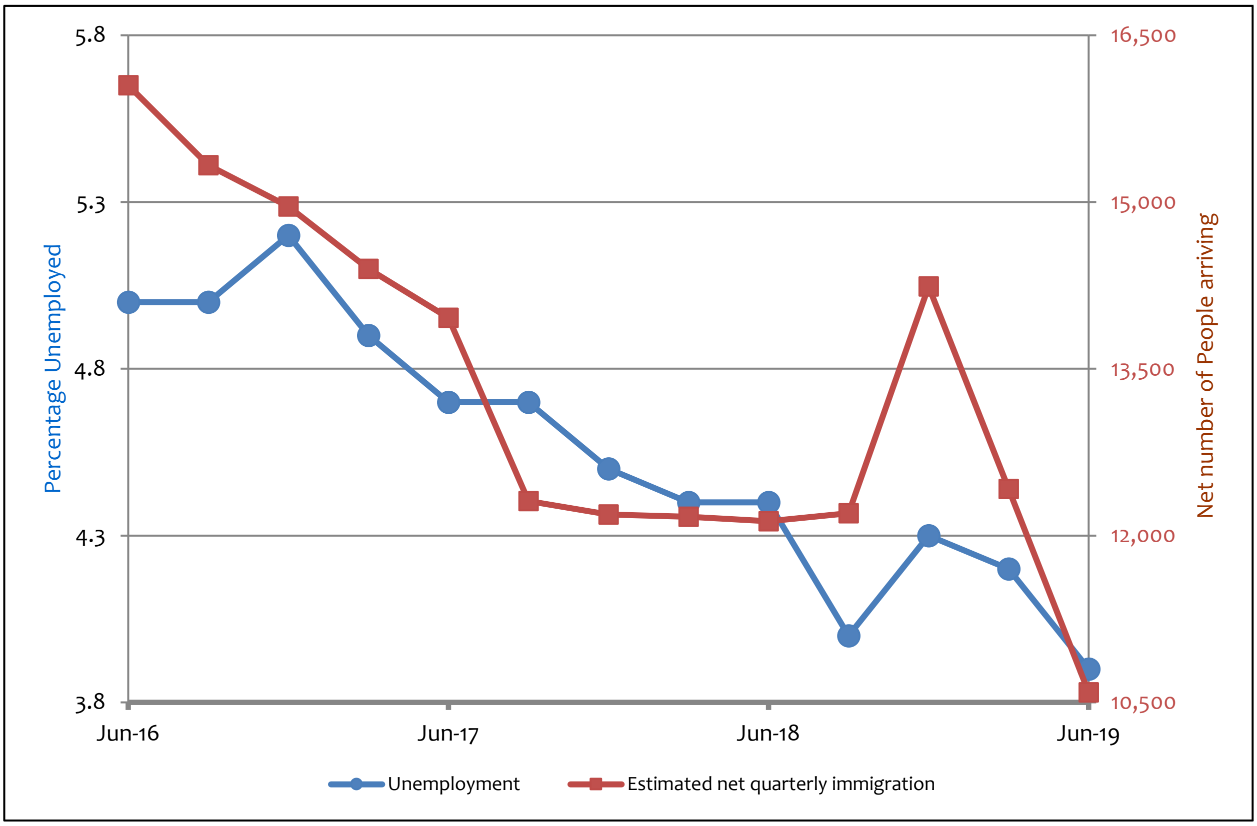
★ The Performance of Services Index for July 2019 was 54.7, up from 53.0 the previous month. The employment sub-index was 51.7, up from 51.0 the previous month.

For these indexes, a figure under 50 indicates falling activity, above 50 indicates growing activity. Previous figures are often revised and may differ from those in a previous Bulletin.

★ On 7 August 2019, the Reserve Bank reduced the Official Cash Rate (OCR) by 0.5 percentage points to 1.0 percent from 1.5 percent, a new record low. The 7 August statement stated that the Monetary Policy Committee considered this necessary to "meet its employment and inflation objectives". While their view was that employment was "around its maximum sustainable level" they welcomed the news of a new low in unemployment. They were concerned that GDP growth had slowed and there were concerns for the future – "growth headwinds are rising". Their main concerns were international, where economic activity continued to weaken, reducing demand for New Zealand exports. The RBNZ's international counterparts were easing monetary policy to support their economies, and global long-term interest rates were at historically low levels suggesting that low inflation and growth rates were expected. In New Zealand, low interest rates and increased government spending would support the economy through increased demand, and the low interest rates would encourage private investment including increased construction activity. Since the announcement, the Governor of the Bank, Adrian Orr, has repeated the call for more government spending, and urged people to go out and spend. The notes of the Committee's discussions showed that they were worried about inflation remaining low due to low imported inflation if international growth slows further or commodity prices decline. They noted that private sector wage growth was "subdued despite businesses having difficulty finding labour" and discussed whether wage growth could be "dampened" even more than they assumed by slowing economic growth. There was debate whether higher wage and other costs would be passed through into rising prices. "The members noted that heightened global uncertainty was reducing investment and suppressing trading-partner growth. This highlighted the risk of a larger or more prolonged slowdown in global economic growth." While stimulus from central banks internationally could reduce the risk, some members doubted that that would be enough but a "shift in political environment" could lead to a pick-up in global growth. "The Committee noted that low business confidence had dampened business investment in 2018 and had remained weak in mid-2019. The members discussed that if sentiment remained low, perhaps due to global economic conditions or if profitability remains squeezed, growth might not increase as anticipated over the medium term. The members also noted that the shift in domestic production from manufacturing towards services was also dampening business investment." Lower interest rates could lead to stronger house price inflation, which they consider could lead to people spending more, though lower immigration numbers and new house building would counteract that. Interest rates would continue to decline, but the Bank's view was that the low interest rates would not weaken the impact of its monetary policies.

★ According to REINZ, over the year to July the national median house price rose $25,000 or 4.5 percent to $575,000 and REINZ's house price index rose 1.5 percent. (The house price index adjusts for the type of house, such as its size and land area, and seasonal price patterns.) Over the month, the median price rose 0.6 percent seasonally adjusted while the house price index rose 0.2 percent. In Auckland over the year the median price was steady at $830,000 while the house price index fell 3.3 percent. Over the month, Auckland's median price was down 0.9 percent seasonally adjusted, and the house price index rose 0.1 percent percent. Excluding Auckland, over the year the national median price rose $28,000 to $485,000 or 6.1 percent while the house price index rose 5.9 percent. Over the month the median price excluding Auckland was up 1.2 percent seasonally adjusted, and the house price index was up 0.4 percent. There were record median prices in Southland (up 20.0 percent over the year to $300,000) and Otago (up 21.7 percent over the year to $505,000). Median prices rose over the year in 10 of REINZ's 16 regions, with the fastest rise being in Manawatu/ Wanganui (up 25.4 percent) followed by Southland (up 20.0 percent). Median prices fell in Northland (down 1.9 percent), Bay of Plenty (down 0.3 percent), Taranaki (down 4.0 percent), Marlborough (down 5.9 percent), and West Coast (down 24.4 percent). Seasonally adjusted median prices fell over the month in 7 of the 16 regions, with the steepest fall in the West Coast (down 13.5 percent), while prices rises over the month were highest in Otago (up 8.0 percent) and Wellington (up 7.1 percent). Sales fell in 13 of the 16 regions over the month, seasonally adjusted, while over the year, sales fell in 7 of the regions, with a national rise of 3.7 percent and changes ranging from a rise of 25.0 percent in Nelson to a fall of 19.4 percent in the West Coast.

Employment



★ According to the Household Labour Force Survey (HLFS) the seasonally adjusted **unemployment** rate in the June 2019 quarter fell to 3.9 percent or 109,000 people, compared to 4.2 percent three months before (115,000 people). If it were the 3.3 percent it was in December 2007, 17,000 more people would have jobs. The seasonally adjusted female unemployment rate fell to 4.2 percent from 4.4 percent three months before, higher than for men (3.6 percent) whose unemployment rate fell from 3.9 percent. Māori unemployment fell from 9.4 percent a year before to 7.7 percent in June, while Pacific people's unemployment fell from 8.8 percent to 8.4 percent over the year. Compared to OECD unemployment rates, New Zealand improved to 13th lowest from 14th equal lowest (out of 35 countries). New Zealand's employment rate for 15-64 year olds improved from 6th highest to 5th equal highest for the OECD at 77.6 percent.

★ The unemployed were not the only people looking for work: "**underutilisation**" includes the officially unemployed as above, people looking for work who are not immediately available or have not looked for work sufficiently actively to be classed as officially unemployed, plus people in part time work who want more hours ("underemployed"). In the June 2019 quarter there were a total of 317,000 people looking for work classed as "underutilised", or 11.0 percent of the labour force extended to include these people, in seasonally adjusted terms. Of them, 110,000 were underemployed, 109,000 were officially unemployed, and 98,000 were additional jobless people looking for work. The 11.0 percent underutilisation rate is down on the previous quarter (11.3 percent) and down from 12.0 percent a year before. It is higher for women at 13.0 percent than for men at 9.1 percent.

★ **Youth unemployment** for 15-19 year olds was 17.6 percent in June 2019, down from 19.9 percent three months before, and from 19.7 percent a year before. (These and the other statistics for the whole youth population are seasonally adjusted, but those for Māori and for Pacific Peoples are not; small differences may not be statistically significant.) For Māori 15-19 year olds in June 2019, the unemployment rate was 21.2 percent, down from 29.0 percent a year before. For 15-19 year old Pacific Peoples it was 27.2 percent, up from 12.6 percent a year before. For 20-24 year olds, youth unemployment was 6.7 percent, down from 7.9 percent three months before, and down from 7.7 percent a year before. For Māori 20-24 year olds the unemployment rate was 11.4 percent, up from 8.3 percent a year before. For 20-24 year old Pacific Peoples it was 12.5 percent, down from 12.9 percent a year before. The proportion of 15-19 year olds "not in employment, education, or training" (the NEET rate) was 8.1 percent, down from 10.0 percent three months before and up from 7.4 percent a year before. For Māori 15-19 year olds the rate was 12.6 percent, up from 10.6 percent a year before and for Pacific Peoples it was 10.9 percent, up from 6.5 percent a year before. For 20-24 year olds the NEET rate was 12.2 percent, down from 15.8 percent three months before and down from 14.2 percent a year before. For Māori 20-24 year olds the NEET rate was 20.6 percent, little changed from 20.9 percent a year before, and for Pacific Peoples it was 21.5 percent, down from 22.6 percent a year before. For the whole 15-24 year old group, unemployment was higher for those in education (13.2 percent) than those not in education (9.0 percent). There were 69,000 people aged 15-24 years who were not in employment, education, or training (NEET), seasonally adjusted, down from 87,000 three months before, and down from 74,000 a year before.

★ By **region**, in June 2019, in the North Island, Taranaki had the worst regional unemployment rate at 5.2 percent, down from 5.3 percent a year before, and Northland was close behind at 5.1 percent unemployment, up from 4.7 percent a year before. All other North Island regions had unemployment rates at or under 4.8 percent, with Wellington and Waikato equal best at 3.4 percent (down from 4.7 percent and 4.2 percent respectively a year before) and all but Gisborne/ Hawke's Bay (at 4.8 percent, up from 4.3 percent) doing at least as well as a year before though Auckland was unchanged at 4.2 percent. All South Island regions had unemployment at or below 3.5 percent with average unemployment among the South Island regions being 3.3 percent compared to 4.0 percent in the North Island. In Tasman/Nelson/Marlborough/West Coast unemployment was 3.3 percent, down from 4.7 percent a year before, in Canterbury it was 3.5 percent, down from 4.0 percent a year before, in Otago it was 3.0 percent, down from 3.4 percent a year before, and in Southland 3.0 percent, unchanged from a year before.

★ There were 33,600 unemployed people in June 2019 who had been **out of work for more than 6 months** compared to 37,200 a year before. This is 31.4 percent of the unemployed compared to 30.9 percent a year before, but is still at a much higher level than the mid-2000s. Those out of work for more than a year are 13.5 percent of the unemployed compared to 12.5 percent a year before. After rising until mid-2017, the proportion of long-term unemployed appears to have peaked and is trending downward.

★ The number recorded as **employed** rose by 2,000 over the three months to June 2019 (seasonally adjusted). It rose by 45,000 over the year. The employment rate (the proportion of the working age population – those aged 15 and over – in paid work) rose to 67.7 percent over the three months from 67.5 percent. It was 63.1 percent for women and 72.4 percent for men. The participation rate (the proportion of the working age population either in jobs or officially unemployed) was steady at 70.4 percent compared to three months before, though down from 71.0 percent a year ago.

★ **By industry**, the actual increase in employment of 3,000 in the three months to the June 2019 quarter (not seasonally adjusted) was made up of both gains and losses. Remarkably, the largest gain was 10,100 in the largest employer of minimum wage workers, Retail Trade and Accommodation (see box below). Education and Training rose by 9,300, Transport, Postal Warehousing by 5,000, and Arts, Recreation and Other Services by 3,000 (also significant minimum wage employers). They were offset by falls in employment led by 6,700 in Manufacturing and 5,500 in Health Care and Social Assistance. Over the year, the increase of 44,100 (not seasonally adjusted) was again led by an increase of 24,000 in Retail Trade and Accommodation, followed by 17,400 in Professional, scientific, technical, administrative, and support services, 12,200 in Arts, Recreation and Other Services, 10,700 in Transport, postal and warehousing, 7,300 in Rental Hiring and Real Estate Services, and 5,800 in Financial and insurance services. The largest losses were 23,300 in Manufacturing, 9,000 in Education and Training, 8,500 in Health Care and Social Assistance and 7,500 in Information Media and Telecommunications.

The Minimum Wage rise and employment

The minimum wage rose sharply from $16.50 to $17.70 from 1 April 2019, the beginning of the June quarter. In real terms, this 5.5 percent increase was the largest since 2007 when it rose 7.6 percent. There is always interest in the employment effects of a significant minimum wage rise. What impact did it have? It is hard to tell because other things happening at the same time also affect employment – such as the current slowing growth in retail and tourism – and while some immediate effect can be expected, it may take some time for the full effects of the rise to work through. But the immediate effect this time is remarkable.

In short: the two industries with the most minimum wage workers *expanded* employment after the largest increase in the minimum wage in several years.

The Household Labour Force Survey estimates employment levels. By industry, the increase in employment of 3,000 in the three months to June 2019 (not seasonally adjusted) was made up of both gains and losses. Easily the largest gain was 10,100 in Retail Trade and Accommodation which is notable because these industries often reduce employment in the June quarter, near the seasonal low point, and they are the industries which have by far the largest proportion of minimum wage employees. Last year, they had over half of all minimum wage workers according to MBIE.

The Quarterly Employment Survey shows a somewhat different picture, though bear in mind it does not cover the smallest firms which are common in these sectors. Also, it counts jobs rather than employment (people can have multiple jobs in multiple industries). It shows a fall in jobs both in Retail and in Accommodation and Food Services over the June quarter, but a rise over the year to June in Accommodation and Food Services. Given the seasonal effect and longer term downward pressures on Retail, this again suggests no negative employment impact of the minimum wage rise.

★ In the June 2019 quarter, total **union membership** was estimated at 407,900, a 0.8 percent rise from 404,500 in the previous quarter and down 1.4 percent from 413,700 a year before. The membership is 18.7 percent of employees compared to 18.7 percent three months before and 19.3 percent a year before. Women make up 59.7 percent of the membership compared to being 50.0 percent of all employees. As a result, the proportion of female employees who are in unions is higher than for males: 22.4 percent compared to 15.1 percent. The membership of women workers was up 1.1

percent over the year, compared to a decrease for men of 4.9 percent. The membership changes were not evenly spread across age groups: the membership of 15-24 year olds fell 5.7 percent in the year despite rising 11.2 percent in the quarter, 25-34 year olds rose 9.9 percent in the year and rose 1.8 percent in the quarter, 35-44 year olds fell 0.7 percent in the year and fell 4.6 percent in the quarter, 45-54 year olds fell 9.8 percent in the year but rose 1.0 percent in the quarter (the first rise in this group since December 2017), 55-64 year olds fell 3.3 percent in the year but rose 1.5 percent in the quarter, and 65+ year olds rose 7.3 percent in the year and 10.0 percent in the quarter. All but the 45-54 age groups have increased their membership numbers since June 2016, though some not as fast as the number of employees of the same age, but standouts at one extreme were the 25-34 age group which increased from 66,000 workers to 88,000 since June 2016 (34 percent), and at the other, 45-54 year olds whose membership numbers declined from 105,000 to 93,000. However all age groups except 45-54 year olds have increased their union density since June 2017 when overall density reached its lowest. By industry, largest union membership growth over the year was in Public Administration and Safety, which increased 10,000 or 19 percent, followed by Retail Trade which rose 2,700 or 15 percent. The largest falls over the year were in Education and Training which fell 8,600 of 8.8 percent, Manufacturing which fell by 7,300 or 15.9 percent (though it did not move in the last quarter), Construction which fell 3,300, and Health Care and Social Assistance which fell 2,800 or 2.6 percent. There was a mixture of rises and falls in other industries, but they are unlikely to be statistically meaningful. There may be seasonal variations in union membership which are not yet apparent, so quarterly comparisons may not represent annual trends.

★ In the June 2019 quarter, total **collective employment agreement** coverage was estimated at 401,700 employees, which makes 18.4 percent of employees who said their employment agreement was a collective compared to 18.7 percent three months before and 19.2 percent (413,000) a year before. An estimated 71.0 percent (1,547,600) said they were on an individual agreement compared to 69.5 percent three months before and 68.8 percent a year before, and 5.2 percent or 114,000 said they had no agreement (which is illegal), compared to 5.2 percent three months before and 5.7 percent a year before. A further 5.2 percent of employees didn't know what kind of employment agreement they had. Over the year, the decrease in membership came from the 15-24 year old, 45-54 year old and 55-64 year old age groups (down 10.1 percent, 9.4 percent and 7.9 percent respectively) while all other age groups rose, though the 35-44 year old age group also fell during the quarter. Membership of those aged 15-24 fell 10.1 percent in the year and 3.8 percent in the quarter, 25-34 year olds rose 9.0 percent in the year and 0.5 percent in the quarter, 35-44 year olds rose 1.5 percent in the year but fell 4.0 percent in the quarter, 45-54 year olds fell 9.4 percent in the year and 1.5 percent in the quarter, 55-64 year olds fell 7.9 percent in the year and 0.8 percent in the quarter, and members aged 65+ rose 7.9 percent in the year and rose 7.1 percent in the quarter. Density fell for all but the 25-34 year old age group over the year, but rose for all but the 35-45 year old and 65+ age groups since the low in September 2017. By industry, collective membership grew by 4,100 or 7.8 percent in Public Administration and Safety, and 2,700 or 10.7 percent in Retail Trade. Manufacturing fell 8,000 or 16.9 percent, Health Care and Social Assistance fell 3,400 or 3.7 percent, Education and Training fell 2,800 or 3.4 percent and there were roughly balanced rises and falls in other industries (again with doubts how statistically meaningful the figures are).

★ By **employment relationship**, in the June 2019 quarter, 91.2 percent of employees (1,987,700) reported they were permanent, 4.6 percent casual (99,500), 2.4 percent fixed term (51,600), 0.8 percent seasonal (17,600), and 0.4 percent employed through a "temporary agency" (9,700). The proportion reporting they were permanent was up from 91.0 percent (1,973,400) three months before and from 90.9 percent (1,952,900) a year before. Women were slightly less likely to be permanent employees: 90.0 percent of women were permanent compared to 92.5 percent of men. Instead, women were more likely to be casual (5.4 percent of them compared to 3.7 percent of men) or fixed term (2.9 percent of women compared to 1.9 percent of men). However more men were in seasonal work than women – 1.0 percent of men compared to 0.7 percent of women. Of the temp agency employees, 4,600 were men and 5,200 women. Employment relationships may have seasonal variations, so we should be cautious about seeing trends in quarterly comparisons. In addition, small differences may not be statistically significant. However, over the three years this data has been available the number and proportion of fixed term employees measured by this survey has fallen, starting in June 2016 with 63,600 and in June 2019 down to 51,600. The number of Temporary Agency employees has increased in the same period from 6,600 to 9,700, but this has been a bumpy road so it is too early to say there is a trend.

★ By **duration of employment (job tenure)**, in the June 2019 quarter, 23.9 percent of those in the labour force (including the self-employed) had been in their jobs for less than a year. Another 34.0 percent had been in their job for at least a year but less than five years, so a majority had been in their jobs less than five years. A further 16.6 percent had been in their job for at least five but less than ten years, and 24.6 percent had been in their jobs for 10 years or more. Women appeared to be somewhat more likely to have been in their jobs for a shorter time than men. For example, 26.3 percent of men had been in their jobs for more than 10 years, but only 22.7 percent of women. Age is a significant factor as would be expected: 54.7 percent of people aged 15 to 24 had been in their jobs for less than a year, and 31.3 percent of 25-34 year olds, but only 14.4 percent of 45-54 year olds and 9.2 percent of 55-64 year olds. Small differences may not be statistically significant.

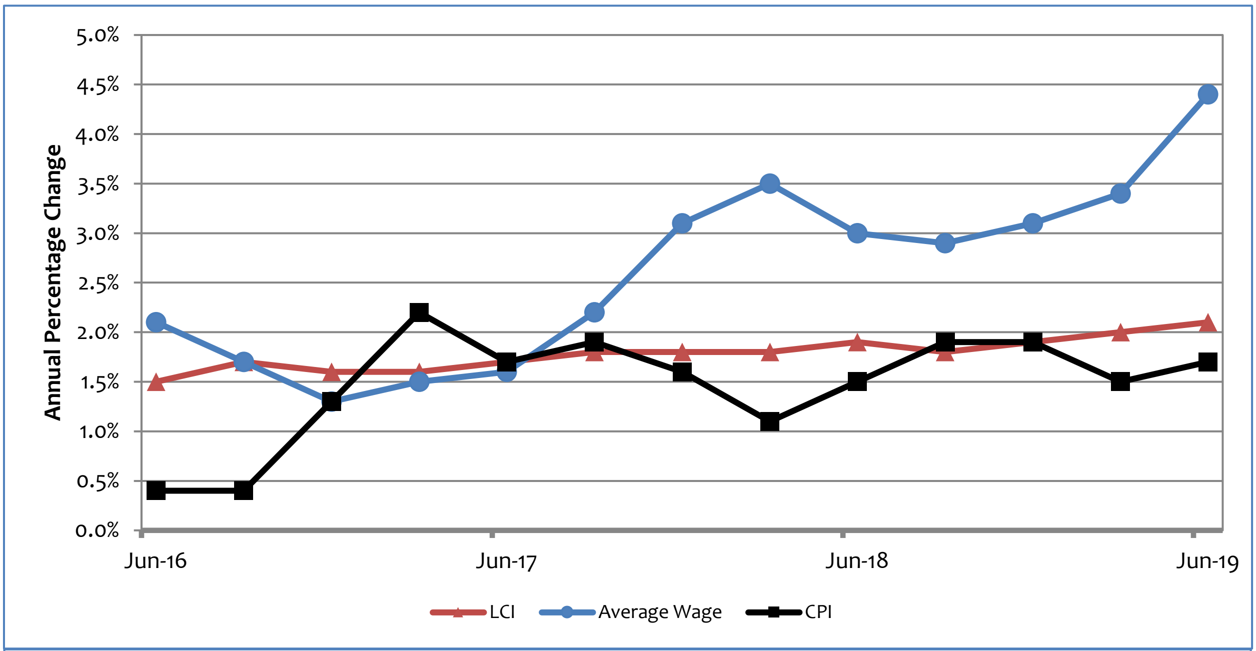
★ In International Migration, there were a provisionally estimated 12,120 permanent and long-term arrivals to New Zealand in June 2019 and 9,010 departures in seasonally adjusted terms, a net gain of 3,100 which was a sharp fall from the (revised) 4,130 estimated for the previous month. There was a seasonally adjusted net loss of 1,680 New Zealand citizens, compared to a loss of 910 the previous month, and a net gain of 4,780 other citizens, compared to 5,040 the month before. There was an estimated actual net gain of 49,427 migrants in the year to June, up from 48,918 in the year to June 2018. In June, 10.4 percent of the arrivals had residence visas, 16.3 percent student visas, 23.8 percent work visas, and 19.4 percent visitors. A further 29.2 percent were New Zealand or Australian citizens.

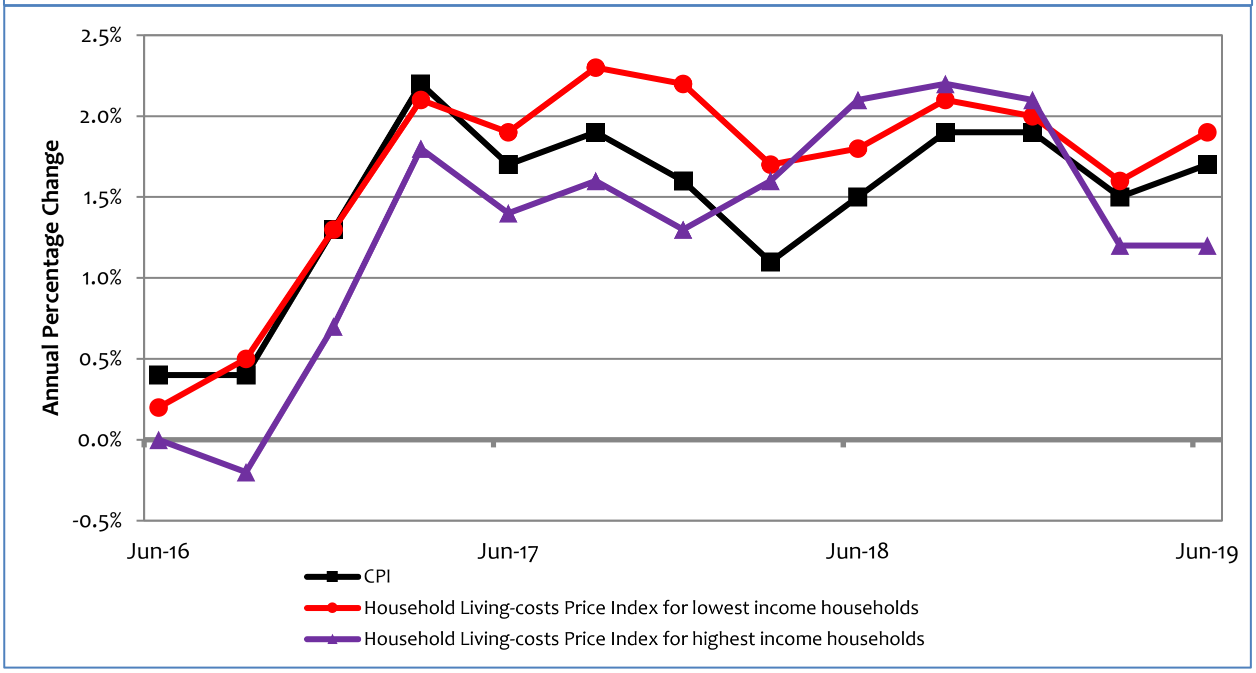
In November 2018, there was a significant change in how migration has been estimated by Statistics New Zealand. It changed from being based on intentions shown on arrival and departure cards to being based on whether they stay in New Zealand (or abroad, respectively) for at least 12 of the next 16 months. Recent data is therefore provisional for 17 months.

★ The Ministry of Social Development reports that at the end of June 2019 there were 136,233 working age people on the Jobseeker benefit, 13,720 more than a year before and 4,513 more than three months before. At that time, 75,323 were classified as 'Work Ready', and 60,910 were classified as 'Health Condition or Disability'. A total of 291,969 were on 'main' benefits, 14,559 more than a year before, with numbers of all other than those on Jobseeker Support relatively stable: Sole Parent Support benefits were up 705, Supported Living Payments were up 214 and Other Main Benefits were down 80. There were 5,519 more on main benefits than three months earlier. Of the 43,532 benefits cancelled during the three months to June, 17,832 or 41.0 percent of the people obtained work, 12.6 percent transferred to another benefit and 4.1 percent became full time students. A further 2,325 (5.3 percent) left on their 52 week reapplication or annual review and 2.5 percent were cancelled for failed obligations. A total of 11,400 suffered sanctions (down 6.6 percent on a year before), the majority (10,210 or 90 percent) on a Jobseeker benefit. Of the people sanctioned, 46.4 percent were Māori, though only 36.4 percent of working-age benefit recipients were Māori.

★ Job Vacancies Online for the three months to June 2019 showed the seasonally adjusted number of job vacancies fell by 5.3 percent in the quarter and fell 2.6 percent over the same quarter a year previously. All the following are seasonally adjusted, though it should be borne in mind that many jobs are still filled by word of mouth, social networks and through recruitment agencies rather than the online job advertisements surveyed for these statistics. Over the quarter, highly skilled vacancies fell 1.8 percent while semi-skilled vacancies fell 6.7 percent and unskilled vacancies fell 3.5 percent, while over the year, highly skilled vacancies rose 1.1 percent while semi-skilled vacancies fell 5.0 percent and unskilled vacancies fell 1.7 percent. Over the quarter, vacancies in Auckland were down 5.4 percent, Bay of Plenty down 2.5 percent, Canterbury down 6.5 percent, Gisborne/Hawke's Bay up 2.1 percent, Marlborough/Nelson-Tasman/West Coast down 6.1 percent, Manawatu-Whanganui/Taranaki down 0.1 percent, Northland down 3.2 percent, Otago/Southland down 4.3 percent, Waikato down 4.9 percent, and Wellington up 0.1 percent. By industry for the quarter, vacancies fell in all groups, falling fastest in Construction (down 9.6 percent) and Hospitality (down 8.6 percent) and least in Health (down 0.3 percent) and Primary industries (down 0.6 percent). Over the year IT rose by 6.6 percent, Health by 4.9 percent and Primary industries by 1.5 percent while all the others fell, the fastest in Hospitality (down 7.0 percent) and Construction (down 6.8 percent). By occupation, all groups fell with the greatest falls in Technical and Trades (down 10.4 percent) and Machinery Drivers (down 6.1 percent). Professionals had the smallest fall, at 1.6 percent. Over the year, the fastest growing vacancies were for Professionals (up 2.7 percent) and Community and Personal services (up 2.0 percent), while the rest fell, with the greatest fall in Technical and Trades, and Sales, which were both down 7.8 percent.

Wages and prices





★ The Labour Cost Index (LCI) for salary and ordinary time wage rates rose 0.7 percent in the three months to June 2019 and increased 2.1 percent in the year. The annual increase was higher than the 1.7 percent increase in the CPI. The LCI increased 0.4 percent in the public sector and 0.8 percent in the private sector in the three months. Over the year it rose 2.2 percent in the public sector and 2.2 percent in the private sector. Statistics New Zealand notes the increase in the minimum wage from the start of the quarter (1 April 2019 – see Employment above for further discussion), and that "Over the year, several collective agreements came into force, such as the nurses' collective agreement (ratified in August last year)." The 0.7 percent quarterly increase was the highest since December 2008, and would have been only 0.5 percent if the minimum wage had not risen as it did. Statistics New Zealand comments that "Minimum wage increases have a larger impact on private sector industries". By industry, those with the largest proportion of minimum wage employees led the rises:

Retail Trade rose 1.4 percent in the quarter, and Accommodation and Food Services rose 2.2 percent (2.3 percent in the private sector). During the year, 41 percent of jobs surveyed did not receive a pay rise, and 43 percent of private sector jobs got no rise. For the 58 percent of those jobs surveyed which received an increase in their salary or wage rate during the year, the median increase was 3.0 percent and the average increase was 4.1 percent. For those jobs in the public sector that received increases during the year, the median increase was 2.5 percent and in the private sector 3.0 percent; the average increase in the public sector was 3.4 percent and in the private sector 4.3 percent. We estimate that over the year, jobs on collective employment agreements were 1.9 times as likely to get a pay rise as those which were not, and were more likely to get a pay rise of any size ranging from less than 2 percent to over 5 percent. Only 53 percent of jobs that were not on a collective got a pay rise during the year whereas the Centre for Labour, Employment and Work reports that 99 percent of those on a collective stating pay rates got a pay rise in the year to June 2019.

★ The Quarterly Employment Survey for the three months to June 2019 found the average hourly wage for ordinary-time work was $32.37, up 1.2 percent on the previous quarter and up 4.4 percent over the year, significantly more than the 1.7 percent rise in the CPI for the year. Female workers (at $30.35) earned 11.0 percent less than male workers (at $34.10) for ordinary time hourly earnings. This pay deficit is lower than it was in June 2018 when it was 11.4 percent. The average ordinary-time wage was $30.34 in the private sector, up 1.1 percent in the quarter and 4.7 percent in the year. In the public sector the average ordinary-time wage was $40.39 which was up 0.1 percent in the quarter (for some reason public sector wages often rise very slowly in June quarters) and up 3.5 percent in the year. Average total hourly wages (including overtime) ranged from $21.57 in Accommodation and food services and $22.87 in Retail trade, to $46.73 in Finance and insurance services, and $41.56 in Electricity, gas, water and waste services. The largest increase was in Accommodation and food services: up 4.2 percent in the quarter and 7.5 percent over the year, reflecting the increase in the minimum wage in the quarter. In Accommodation and food services, 56.0 percent of employee jobs were part time, and in Health care and social assistance 42.2 percent were part time; in Retail trade 39.6 percent were part time; 35.0 percent were part time in Arts, recreation and other services; and 33.3 percent in Education and training. Together these five industries made up 41.2 percent of all part time work. In all 26.6 percent were part time. (However the QES does not include agriculture or fishing and excludes very small businesses.)

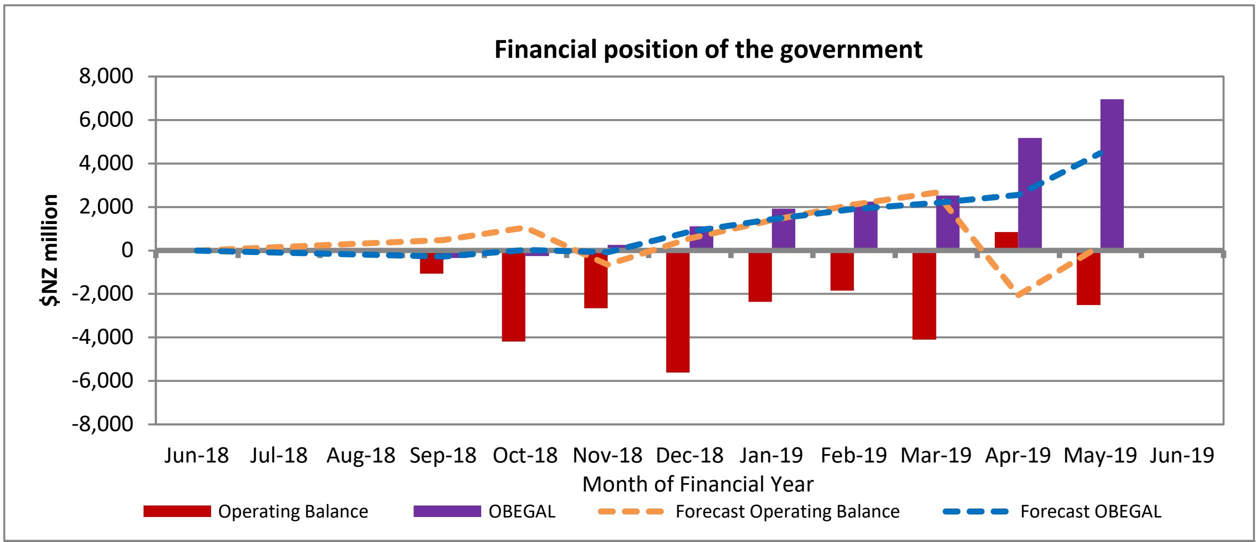
★ The annual survey of incomes carried out with the Household Labour Force Survey, called “Labour market statistics (income)” (no, it doesn’t do anything for me either) was released this month. It is used to provide the official **gender pay gap**: how much the median (midpoint) hourly wage for women is behind that for men. It shows the imbalance has remained static since 2017: it was 9.3 percent in June 2019, 9.2 percent in June 2018, and 9.4 percent in June 2017 despite the Care and Support Workers and other significant pay equity settlements, and a strong rise in the minimum wage in April 2019. That is probably because most of these have benefitted women below their median wage. For example the Care and Support Workers pay moved up to a range from $19.00 to $23.50 per hour on 1 July 2017, and the median for that year (i.e. at June 2018) was higher at $23.75. They moved up to a $19.80 to $24.50 range from 1 July 2018, again at or below the median of $24.50. This is why our preferred measure of the pay gap uses the average wage instead of the median. It is affected by these lower wage movements, and by movements in high wages, where some of the biggest imbalances occur. It fell from 13.9 percent to 11.9 percent, a significant move, though it too bounces around a lot. It was 13.1 percent in June 2017. Using the average wage to measure the imbalance, there is very little pay gap for young people – 0.5 percent for 15-19 year olds and 0.0 percent for 20-24 year olds – probably due to the effect of the minimum wage. The imbalance rises with age, peaking at 22.9 percent for 55-59 year olds. This is consistent with some of the largest gaps being in higher incomes, given that incomes rise with age. The pay gap fell for people of European ethnicity, Māori, Pacific Peoples and Asian, though it was higher than average (at 13.5 percent) for Europeans. It fell particularly strongly for Pacific Peoples – from 11.6 percent to 6.2 percent – though it is a relatively small group so is very variable. It was 5.8 percent for Māori. Strangely, the largest pay gap by occupation is for Community and Personal Service Workers at 20.6 percent which includes Care and Support Workers. It is higher than 2018 (18.8 percent) but lower than any other year back to 2009 (the earliest available). The occupation is 70 percent female, and perhaps what we are seeing is that male occupations within it are more highly paid – it includes defence force, fire fighters, police, prison and security officers for example. In other occupations, Professionals and Sales workers also have large gaps. By industry, the biggest imbalance is in Financial and Insurance Services (22.9 percent, but falling), followed by Rental, Hiring and Real Estate Services (21.1 percent). Education and Training (at 18.0 percent its highest since 2009, with 73.2 percent women), and Health (18.4 percent, the lowest since 2009, with 84.9 percent women) are also high. Public Administration and Safety (which includes core public services) is relatively low at 8.9 percent, its fourth lowest in the 11 years since 2009.

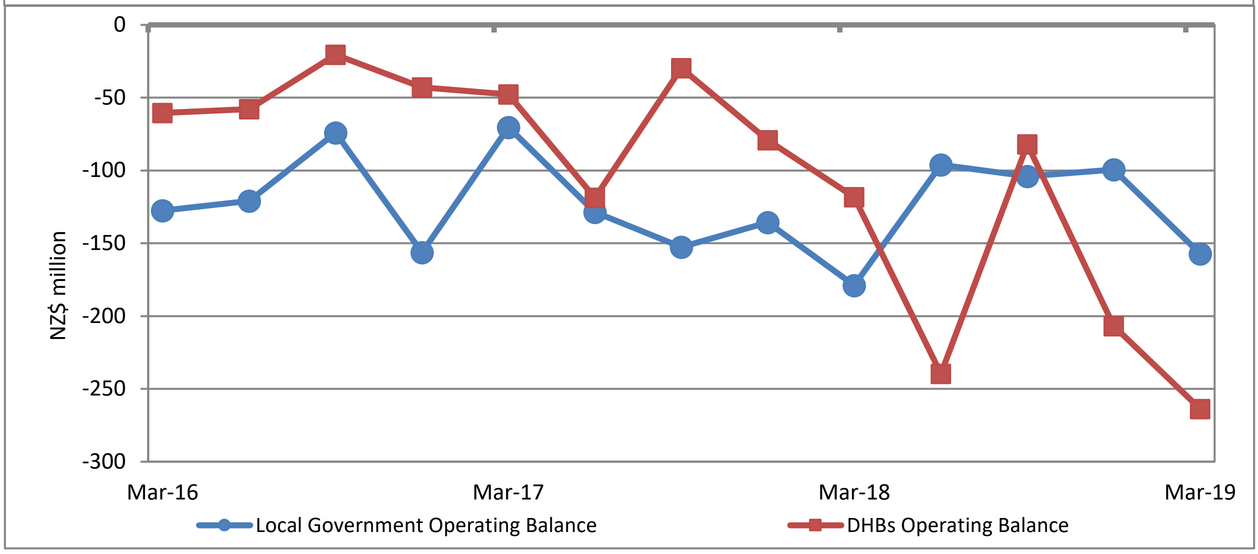
- The Consumer Price Index (CPI) rose 0.6 percent in the June 2019 quarter compared with the March quarter. It rose 0.5 percent in seasonally adjusted terms. It increased 1.7 percent in the year to June, up from 1.5 percent in the year to March. For the quarter, the largest single upward influence was Housing and household utilities which rose 0.7 percent and contributed almost a third of the rise (29.8 percent), most of which came from a 1.0 percent rise in rents (ranging from 0.5 percent in Canterbury to 1.4 percent in Wellington), followed by a 0.7 percent rise in the cost of new housing (this rise was similar in all regions except Canterbury where it only rose 0.4 percent). Next came Food which rose 0.6 percent, contributing 21.0 percent of the overall rise. Household contents and services group was a further significant contributor (19.2 percent of the rise) up a steep 2.5 percent in the quarter, with big price increases for Furniture and furnishings, Household textiles, Appliances, Glassware, tableware and utensils. Transport contributed 16.0 percent of the rise, with petrol rising 5.8 percent but partly offset by price falls in second-hand cars, road passenger transport (13.2 percent down) and domestic air transport (12.9 percent down). There were price falls in Communications (down 1.4 percent), and Recreation and culture (down 0.4 percent due to a 11.5 percent fall in the prices of Domestic accommodation services). Increases in housing costs also came from a further increase of 1.9 percent in both house insurance and contents insurance over the quarter, though mortgage interest rates (not in the CPI) continue to fall – by 1.5 percent (note – not 1.6 percentage points) in the quarter according to Statistics New Zealand. Over the year, Housing and household utilities was by far the largest contributor, responsible for 42.9 percent of the rise, increasing 2.8 percent. Rents rose 2.5 percent, purchase of new housing rose 3.5 percent, property maintenance rose 2.4 percent, property rates and related services rose 4.6 percent, and household energy rose 1.6 percent. In addition, house insurance rose 10.8 percent and contents insurance rose 3.2 percent though mortgage interest fell 4.0 percent. In Food, which rose 1.1 percent overall, the biggest impact was an increase in prices for restaurant and ready-to-eat meals, up by 3.3 percent, followed by grocery food prices, up by 1.6 percent, and the cost of meat, poultry, and fish up by 2.7 percent, while Fruit and vegetables fell 4.8 percent. Rents rose fastest in Wellington (up 3.8 percent for the year) and slowest in Canterbury (up 0.9 percent for the year). In seasonally adjusted terms, CPI showed rose 0.5 percent over the last three months, Food rose 0.3 percent, Alcoholic beverages and tobacco rose 0.9 percent, Clothing and footwear rose 0.4 percent, Housing and household utilities rose 0.6 percent, Communications fell 0.9 percent, Recreation and culture rose 0.3 percent, and Education rose 0.5 percent. Over the year, in Auckland consumer prices rose 1.6 percent, in Wellington they rose 1.4 percent and they rose 1.9 percent in the rest of the North Island. Inflation in Canterbury for the year was 1.4 percent and prices rose 2.0 percent in the rest of the South Island.

- The Household Living-costs Price Indexes (HLPIs) for the year to June 2019 showed a return to a trend of lower income households facing the highest increases in living costs. The lowest income households experienced a 1.9 percent increase in living costs over the year while the highest income households saw an increase of only 1.2 percent. By expenditure, the lowest spending households had their living costs increase by 2.1 percent over the year while the highest spending households had an increase of 1.0 percent. Over the year, the All-households HLPI rose 1.5 percent, the Beneficiary households index rose 2.1 percent, the Māori households index rose 1.8 percent, and the Superannuitant households index rose 2.1 percent. By income quintile, the index for the lowest income households (quintile 1) rose 1.9 percent, quintile 2 rose 1.7 percent, quintile 3 rose 1.4 percent, quintile 4 rose 1.3 percent, and quintile 5 (the highest income) rose 1.2 percent. Ranking households by expenditure showed a similar pattern, as the costs of the lowest spending quintile (quintile 1) rose by 2.1 percent, quintile 2 rose by 1.9 percent, quintile 3 rose by 1.5 percent, quintile 4 rose by 1.2 percent, and quintile 5 (the highest spending) rose by 1.0 percent. Over the quarter, the All-households HLPI rose by 0.5 percent, the Beneficiary households index rose 0.7 percent, the Māori households index rose 0.6 percent, and the Superannuitant households index rose 0.6 percent. By income quintile, over the quarter the index for the lowest income households (quintile 1) rose 0.7 percent, quintile 2 rose 0.7 percent, quintile 3 rose 0.5 percent, quintile 4 rose 0.5 percent, and quintile 5 rose 0.4 percent. By expenditure quintile, the index for the lowest expenditure households (quintile 1) rose 0.7 percent, quintile 2 rose 0.7 percent, quintile 3 rose 0.5 percent, quintile 4 rose 0.5 percent, and quintile 5 rose 0.3 percent.

HLPIs show price increases like the CPI (above) but are designed to be better at showing the costs faced by households, and to show the different costs faced by fourteen different types of households. See the commentary in the November 2016 Bulletin for more detail. Weights reflecting the proportion of different products bought by households were updated starting from the December 2017 release.

- ★ The Food Price Index in the month of July 2019 rose 1.1 percent in actual terms and rose 0.7 percent in seasonally adjusted terms. Food prices rose 0.9 percent in the year to July 2019. Compared with the previous month, fruit and vegetable prices rose 1.8 percent (and rose 1.0 percent seasonally adjusted); meat, poultry, and fish rose 2.6 percent; grocery food prices rose 0.6 percent (and were up 0.4 percent seasonally adjusted); non-alcoholic beverage prices rose 1.5 percent; and restaurant meals and ready-to-eat food prices were unchanged. (There are no significant seasonal effects for the categories without a seasonal adjustment.)





- According to Treasury's [Financial Statements of the Government of New Zealand] for the eleven months to 31 May, core Crown tax revenue was $2.2 billion (2.8 percent) higher than forecast in the May Budget Economic and Fiscal Update (BEFU 2019). Treasury commented on this large variance saying it is "primarily a result of underlying strength in the tax take and changes in assumptions used to value the Government's long-term liabilities" and is likely to persist to the end of the financial year (30 June). IRD's change to a new system ("START") recognises revenue more smoothly throughout the year, particularly for large corporate taxpayers, and so has made significant changes to the estimates of revenue that Treasury uses. Tax revenue was higher mainly because "other persons tax" (mainly self-employed) was $0.9 billion higher than expected due to higher incomes and the change to the IRD system; corporate tax was $0.7 billion above forecast "owing to stronger-than-forecast taxable corporate profits and higher-than-expected Portfolio Investment Entities profits"; and GST was $0.3 billion above forecast because of changes in IRD's estimating system and "stronger-than-expected residential investment". Overall core Crown revenue was $2.4 billion or 2.8 percent above forecast. Core Crown expenses were $237 million (0.3 percent) below forecast. The resulting $7.0 billion surplus in the Operating Balance before Gains and Losses (OBEGAL) was $2.5 billion more than forecast as a result of the higher than expected tax revenue.. Meanwhile the Operating Balance, a $2.5 billion deficit, was $2.7 billion worse than the forecast $0.2 billion surplus. This was driven by net losses of $9.7 billion "largely due to actuarial losses on the ACC liability, as a result of a change in methodology in the calculation of risk-free discount rates and inflation assumptions. This change in methodology is a result of the three yearly review completed regarding how the Treasury set the risk free discount rates to be used by Government reporting entities in their reporting to the Treasury." Net core Crown debt at 19.3 percent (below the Government's 20 percent debt target, worth $57.0 billion) was $1.4 billion lower than forecast. Gross debt at $84.7 billion (28.6 percent of GDP) was $1.3 billion above forecast, but "$0.9 billion of this related to movement in the value of derivatives and $0.5 billion due to unsettled trades were settled in the first week of June 2019. Both of these also impact financial assets, therefore it is neutral on net core Crown debt". The Crown's net worth in financial terms was $2.7 billion below forecast at $127.7 billion. Note that the above debt figures are for the Core Crown; total debt was $111.8 billion, $0.1 billion (0.1 percent) below forecast.

- ★ District Health Boards had 322 fewer full time equivalent staff than planned at the end of May 2019 (67,502 compared to 67,825 planned). Only Nursing Personnel had more staff (605) than planned, but these were offset by shortfalls in Medical Personnel (doctors) who were 211 fewer than planned, Allied Health Personnel (476 short), Management/Administration staff (183 short), and Support Personnel (58 short). Average costs per full time equivalent staff were higher than plan ($100,700 compared to $98,800 planned) and the same was true in each of the staff categories. The DHBs had accumulated combined deficits of $423.1 million in the eleven months to May 2019. This is $98.8 million worse than their plans, which class a total $340.6 million of the deficits as "structural" over the full year to 30 June 2019. The Funder arms were in surplus by $150.9 million, $91.5 million more than the $59.4 million surplus planned, and Provider arms (largely their hospitals) were in deficit by $578.0 million, $196.0 million worse than planned. The Northern region provider arm was $58.1 million behind plan with a deficit of $154.6 million and all four DHBs in deficit including Auckland with a $76.4 million deficit. The Midland region was $56.2 million behind plan with a deficit of $193.5 million and all of the five DHBs in deficit including Waikato with a deficit of $111.7 million. Central region was $43.2 million behind plan, with a combined $108.4 million deficit and all of the six DHBs in deficit including Capital and Coast with a $41.5 million deficit. The Southern Region was $38.6 million behind plan with a $123.4 million deficit and all five DHBs in deficit, with Canterbury showing a $55.6 million deficit and Southern $43.7 million. Overall, only South Canterbury out of the 20 DHBs was in surplus and only four were ahead of plan. The DHB furthest ahead of plan was Counties Manukau by $7.8 million though with a deficit of $43.1 million, and Southern was furthest behind, by $19.8 million with a deficit of $39.5 million. Capital expenditure across all DHBs was $222.1 million behind plan with $374.8 million spent out of $596.8 million planned.
- Local Government in the March 2019 quarter recorded a 0.7 percent ($18.5 million) rise in operating income in seasonally adjusted terms and a 2.8 percent rise in operating expenditure ($76.4 million) including a 0.4 percent rise in employee costs (up $2.4 million) compared to the previous quarter. This resulted in an operating deficit of $157.3 million in the quarter, compared with a deficit of $99.5 million in the previous quarter, and deficits in all the quarters back to June 2007 with the exception of June 2010. Note that the latest quarter results are provisional and all are seasonally adjusted figures which are revised with each release.

Notes

This bulletin is available online at http://www.union.org.nz/economicbulletin213. For further information contact Bill Rosenberg.