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Te Kauae Kaimahi

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Information Section p.8

This is the last Bulletin for the year, and my last. The next one will be published on 31 January 2020, brought to you by my successor, the very able Andrea Black. Best wishes for a good break and a new year of progressive change.

Commentary

Working for a better future of work

Summary

I finish ten wonderful years as CTU Policy Director and Economist at the end of the year. In the new year I'll be working part time for the CTU on the 'Future of Work'. So it is a good time to look at what the Government is doing in this space.

The CTU view is that there are big changes affecting New Zealand and the world such as those due to technology, climate change, globalisation and population aging. We should not simply accept them as inevitable – there are opportunities and there are threats, and we can make choices as to what we accept and how we regulate what we accept. There are three key pillars to a framework that will both develop good jobs and enable us to adapt positively to change. All are necessary for success: Industry policy, where the government takes an active role in industry development; Employment law that strengthens collective bargaining to ensure that working people share in the benefits of change; and a capable state that provides security of income plus training and support for those who lose their jobs.

The Government has established a high level Future of Work Tripartite Forum as the focus of its work in this area, co-chaired by the Minister of Finance, and the heads of the CTU and Business NZ. It has recently identified five themes: Creating more adaptive and resilient institutions; Raising workplace productivity and wages; Responsive skills systems enabling learning for life; Helping workers find and keep decent jobs; and Protecting vulnerable workers.

Its immediate priorities within these themes will be:

• Shaping the strategic direction and focus of Industry Transformation Plans. These are intended to bring together industry participants, including representatives of workers, to agree on where they would like their industry to head, and on the actions necessary to achieve it.

• Identifying priorities to facilitate in-work training and lifelong learning.

• Identifying priorities to support workers who have lost their jobs or are at risk of job loss, covering both maintaining their income while they are out of work, and getting assistance with finding a new job.

•Advising on options for better protecting non-standard workers, starting on better protections for contractors.

Together these are an important programme of work. I look forward to contributing to it.

I finish ten wonderful years as CTU Policy Director and Economist at the end of the year. In the new year I hope to be working part time for the CTU on the 'Future of Work'. So it is a good time to look at what the Government is doing in this space. It covers a whole programme of developments that matter to working people and to New Zealand's development regardless of the 'future of work', so has enormous potential.

Here, I'll briefly recap what the CTU view is on the Future of Work, then look at the process the Government has set in train, and finally cover the priorities for this process which include such important developments.

The CTU view

We set out our views in a submission to the Labour Party's Future of Work Commission in 2016[1] and more recently in a submission to the Productivity Commission for its current inquiry into Technological Change and the Future of Work[2].

There are big changes affecting New Zealand and the world such as those due to technology, climate change, globalisation and population aging. We should not simply accept them as inevitable – there are opportunities and there are threats, and we can make choices as to what we accept, and how we regulate what we accept. We can't predict exactly what each of those changes will be, but we need to prepare our society and economy to ensure that the costs and benefits of change are shared fairly.

There are two basic principles. Firstly, jobs must be good jobs: well paid, secure, safe, satisfying and offering work-life balance. This is not possible unless we also aim for full employment. New Zealand is in a rut with many people in jobs that fall far below these standards, and unemployment, even at its current level, is still too high. Independently of changes that affect the nature of work, we should be improving the quality of people's working lives.

Secondly we must be adaptable to change, whether brought about by ourselves or by factors beyond our control. It is imperative that we anticipate these changes and prepare for them as far as possible.

In each case changes will need specific responses but they also require an underlying strategy for transition in order to ensure that as far as possible it is *just*. That means that the costs do not fall on those who are unable to bear them, have little or no control over them, and do not substantially benefit from them. The strategy also prepares for "what comes after": in particular, it finds ways to replace jobs that are destroyed with ones that are at least as good.

As we learned from harsh experience during the big changes of the 1980s and 1990s, with its huge increase in inequality and poverty, and poor economic outcomes, change can be used by a powerful minority to take advantage of the rest of society. Automation could lead to even greater concentration of wealth, income and power than we have now. For good reason, this makes people more suspicious of change and resistant to it. The gains can be severely reduced.

In short, we know change will happen. It can have good outcomes for working people or it can have bad outcomes. Good outcomes will not come about unless we look ahead and plan for them. That requires working people organised through the union movement acting together with government and employers.

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[1] See https://www.union.org.nz/wp-content/uploads/2017/10/160216-The-Future-of-Work.pdf
[2] https://www.union.org.nz/wp-content/uploads/2019/11/Productivity-Commission-Issues-Paper-Technological-Change-and-the-Future-of-Work.pdf

Learning from this, there are three key pillars to a framework that will both develop good jobs and enable us to adapt positively to change. All are necessary for success: it is a three-legged stool that will fall over if any leg is weak.

- **Industry policy** in which the government supports investment and diversification of our economy into more productive, high value industry, replaces industries that are no longer viable due to change, and adapts to, or takes advantage of, developments like climate change;
- **Employment law** that strengthens collective bargaining so that the benefits of change and productivity growth flow through into wages, better job security and conditions, and encourages productive, participatory, high-trust workplaces and tripartism; and
- A **capable state** including a social security system that genuinely provides security of income plus training and support for those who lose their jobs due to change or due to an increasingly insecure job market; education and training systems that prepare people for life and work; strong infrastructure and regulatory capacity.

Other policies (such as taxation and international economic arrangements) must be consistent with these elements.

The International Labour Organisation, to celebrate its centenary this year, set up a Global Commission on the Future of Work. Its report *Work for a Brighter Future*[1] comes to very similar conclusions:

> Countless opportunities lie ahead to improve the quality of working lives, expand choice, close the gender gap, reverse the damages wreaked by global inequality, and much more. Yet none of this will happen by itself. Without decisive action we will be heading into a world that widens existing inequalities and uncertainties. (p.10)

It calls for change to be people-centred:

> We propose a human-centred agenda for the future of work that strengthens the social contract by placing people and the work they do at the centre of economic and social policy and business practice. This agenda consists of three pillars of action, which in combination would drive growth, equity and sustainability for present and future generations… (p.11)

Their three pillars have many similarities to ours: Increasing investment in people's capabilities; Increasing investment in the institutions of work; and Increasing investment in decent and sustainable work. They emphasise the need not just adaptation to the changes in technology, climate, and globalisation, but to create good work as a goal in its own right.

The Future of Work Tripartite Forum

The Government has established a Future of Work Tripartite Forum as the focus of its work in this area. "The Forum was established in recognition of the fact that business, workers, and the government will create better solutions for economic challenges if they work together in partnership," according to a "Strategic Assessment" it released this week.[2] The Forum is co-chaired by the Minister of Finance, Grant

[1] International Labour Office. (2019). *Work for a brighter future - Global Commission on the Future of Work*. Retrieved from https://www.ilo.org/global/publications/books/WCMS_662410/lang--en/index.htm

[2] *Future of Work Tripartite Forum Strategic Assessment*, available at the web page https://treasury.govt.nz/information-and-services/nz-economy/tripartite-future-of-work-forum, which contains other information about the Forum's work.

Robertson, and the heads of the CTU (Richard Wagstaff) and Business NZ (Kirk Hope). It is attended by several other ministers, sometimes the Prime Minister, and representatives from CTU affiliates and from Business NZ. Numerous officials service the Forum and observe meetings, mainly from MBIE and Treasury. A special Future of Work unit is being established within MBIE.

While the Forum is really only starting to establish a concrete programme, work continues between meetings and this is expected to intensify with the priorities that have now been agreed by the tripartite partners.

The Strategic Assessment identifies five themes:

- Creating more adaptive and resilient institutions
- Raising workplace productivity and wages
- Responsive skills systems enabling learning for life
- Helping workers find and keep decent jobs
- Protecting vulnerable workers

Within these themes it has identified four priorities in which the Forum will take an active role. They relate closely to existing work being undertaken by the Government but the Forum will be giving them a greater focus on the future of work. They can be added to as work on these first four matures:

- Shaping the strategic direction and focus of Industry Transformation Plans
- Identifying priorities to facilitate in-work training and lifelong learning
- Identifying priorities to support workers who are displaced or at risk of displacement
- Advising on options for better protecting non-standard workers

I describe these in more detail below, but we are pleased that they coincide well with the CTU view. The main gap is in the area of employment law, ensuring that working people share in productivity gains with higher wages and better working conditions. But the Strategic Assessment recognises that this does need further work. Under the theme "Raising workplace productivity and wages", it states: "Productivity growth is not an end in itself. The Forum is interested in it to the extent that it promotes greater well-being. One of the aims of the Forum's work will be to monitor the extent to which workers have a fair share of productivity growth to which they contribute." Under "Protecting vulnerable workers", it says: "To increase bargaining powers of workers, Government is establishing Fair Pay Agreements (FPAs). FPAs are intended to set fair, basic employment conditions (including wages) across an industry regardless of a person's employment status or form of work." It mentions the need for more work on income adequacy including the minimum wage, the Living Wage and the tax and transfer (benefit) system.

The Forum's priorities

Shaping the strategic direction and focus of Industry Transformation Plans

One of the CTU pillars is industry policy. It is vital if we want to move out of New Zealand's current low wage, low productivity, low value rut. In the context of the future of work it is vital that if industries die we replace them with something as good or better, rather than low paid service industry jobs.

The Government's Economic Development policy was launched earlier this year under the heading "Industry policy".[1] This takes the form of "Industry Transformation Plans", initially in agritech, digital

[1] See https://www.mbie.govt.nz/business-and-employment/economic-development/industry-policy/

technologies, food and beverage, and forestry and wood processing. These plans are intended to bring industry participants together to agree on where they would like the industry to be, and on the actions necessary to achieve it. The initial priorities were industries which had potential for growth and exporting.

We would like to have plans for industries that may have to face a future where their products are no longer needed, and work on the "just transition" of the people working in them to other jobs that provide decent work.

In general we want to ensure that working people are represented through their unions in the Industry Transformation Plan processes, and that aims include not only growth and exports, but address the skill needs of workers and employers, and the need for good wages and working conditions – decent work.

Identifying priorities to facilitate in-work training and lifelong learning

A central part of change must be to ensure that people have the skills that they need as jobs change. While a base in good quality school and tertiary education qualifications makes it possible for people to learn and adapt to new conditions, learning will need to continue throughout people's working lives. The idea of lifelong learning, which unions have advocated for decades, will become even more important. Much of this will need to be in-work – either at work or on release from work. The government's Review of Vocational Education (ROVE) is considering many of these issues, but both the CTU and Business NZ are keen to ensure that the concept of lifelong learning is made a reality. That would require funding for ongoing learning and time off work.

Another key issue is ensuring commitment by employers to support ongoing training and development of their staff (beyond simple training for the specific needs of the employer) and ensuring working people's career and personal aspirations are considered in both the opportunities they are offered and its recognition in qualifications. The division of responsibility between education provided by tertiary institutions and that provided on the job by employers needs clearer understanding.

Identifying priorities to support workers who are displaced or at risk of displacement

A crucial issue for working people is the support they get if they lose their jobs. This covers both maintaining their income while they are out of work, and getting assistance with finding a new job. That can cover job search, *real* retraining opportunities (not just how to fill out a CV or do a good job interview), career advice, help with relocation if necessary, and so on. We have argued for much better income support and "active labour market policies" for many years.

At the moment, our support for working people facing unemployment is so weak that it is they who bear the cost of change. That's what the OECD told us in 2017 in a report on New Zealand's very weak support for "displaced" workers.[1] The report showed that New Zealand needs to come into the modern world on these matters, and catch up with countries, particularly in northern Europe, with high standards of living, high productivity, high employment, low unemployment, and much broader and more effective support for workers when they lose their jobs.

A common level of income replacement among other OECD countries when workers lose their jobs is 80 to 90 percent of their previous income, up to a maximum income level. It is generally provided for a time

[1] OECD. (2017). *Back to work, New Zealand: Improving the re-employment prospects of displaced workers. Retrieved* from http://dx.doi.org/10.1787/9789264264434-en

period varying from several months to several years after which it falls back to lower level. That initial level is much like we receive from ACC if an accident put us off work. Yet currently income replacement for New Zealanders who are laid off is among the lowest in the OECD, and those who claim it have a high risk of being thrust into poverty. About 60 percent of unemployed people do not claim it, often because of the stringent conditions attached. Researchers Dean Hyslop and Wilbur Townsend have shown that people who lose their jobs in New Zealand suffer long term income loss initially averaging 25 percent when they do find work, and find it more difficult to get work for many years afterwards.[1] The biggest income losses are not, as might be thought, among low skilled people but among graduates with degrees.

Surprisingly, a draft report from the Productivity Commission released last week agreed with the OECD. It saw great benefits from better income support, not only to the people facing job loss but to the economy. It argues that good income support encourages a more "dynamic" economy in which people will be more accepting of new technology which will raise productivity. It suggests we emulate the northern European countries. Crucially however the Productivity Commission misses the point that these northern European countries have among the strongest union movements and collective bargaining in the world, giving working people assurance that someone has their backs if something goes wrong in difficult times. The Commission is also resistant to other types of support such as training and help with finding a new job.

At the heart of the northern European model is the principle of protecting employment rather than jobs. Rather than strong protection against losing your job, it would give you a much more generous income while you are looking for a new job ("income replacement") and much more help in looking for a new job, planning your career, retraining for a new career or to adapt to changes in your current occupation, and relocating if that was necessary. In return, you would need to be active in education or training, or looking for a new job.

OECD comparisons show that New Zealanders have the worst of both worlds: among the weakest job protection and weakest employment protection.

MBIE is also working with us on these issues.

Advising on options for better protecting non-standard workers

One of the threats of technological developments is the 'uberisation' of work. The use of technology 'platforms' like Uber and TaskRabbit could lead to an increasing proportion of work being carried out without good employment protections and conditions like minimum wages or annual leave. The evidence in New Zealand does not indicate that this is a big problem at present, but we should be ensuring highly exploitative forms of work do not take hold and push out employment in good jobs. While it may not be happening in the 'platform economy' in great numbers it is already happening in the form of contracting

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[1] Hyslop, D., & Townsend, W. (2017). *The Longer Term Impacts of Job Displacement on Labour Market Outcomes* (Working Paper No. 17–12). Retrieved from Motu Economic and Public Policy Research website: http://motu.nz/our-work/population-and-labour/individual-and-group-outcomes/the-longer-term-impacts-of-job-displacement-on-labour-market-outcomes; and Hyslop, D. (2019). *The impacts of job displacement on workers by education level* [Research Note]. Retrieved from Motu Economic and Public Policy Research website: https://motu.nz/our-work/productivity-and-innovation/firm-productivity-and-performance/the-impacts-of-job-displacement-on-workers-by-education-level/

out where people who were previously employees (or could have been) are made to work as contractors under inferior conditions.

While there are several aspects of this threat that need work, current work in MBIE is on contractors. The CTU will be responding to a discussion paper which MBIE released for consultation this week.[1]

We will be advocating that this priority area will move on to other forms of non-standard work in due course.

In conclusion

Together these are an exciting and important programme of work. I look forward to contributing to it.

Bill Rosenberg

[1] See https://www.mbie.govt.nz/have-your-say/better-protections-for-contractors/

Information

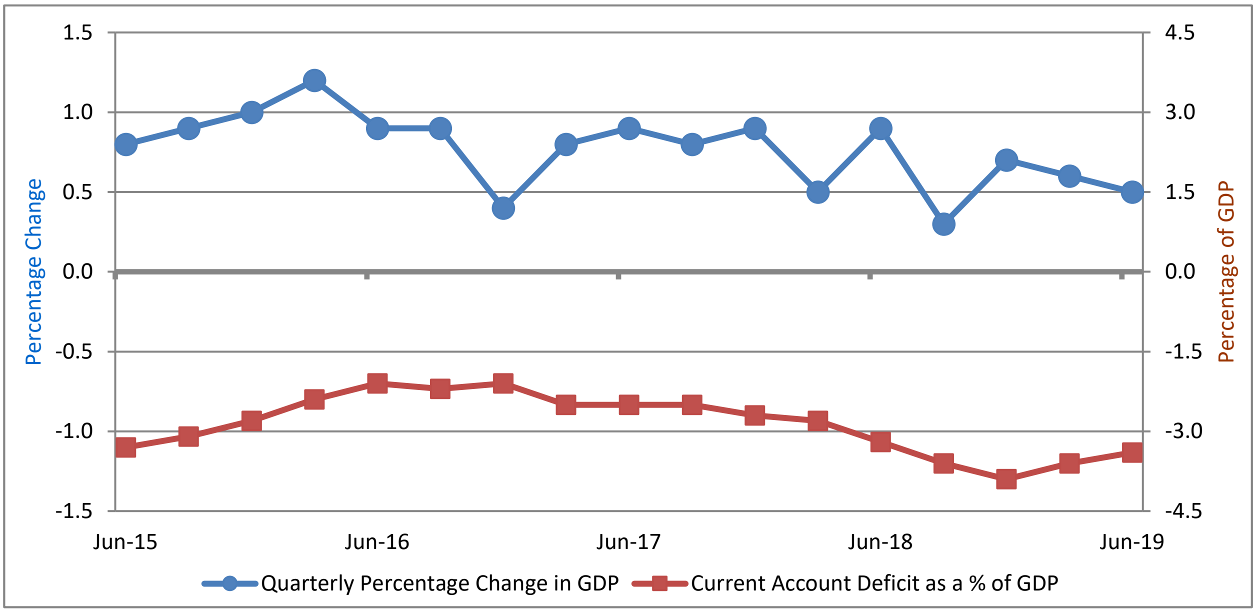
A ★ indicates information that has been updated since the last bulletin.

Forecast

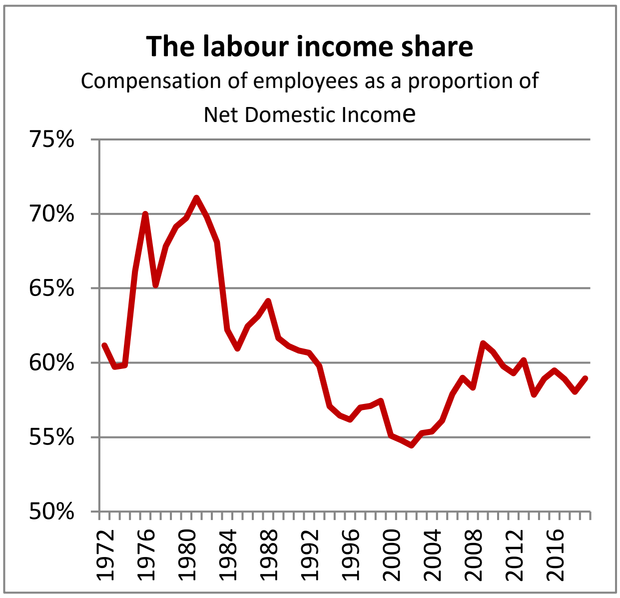
- This [NZIER consensus forecast] was released on 16 September 2019.

Annual Percentage Change (March Year)	2019/20	2020/21	2021/22	2022/23
GDP	2.3	2.7	2.5	2.2
CPI	1.9	1.9	1.9	2.0
Private Sector average hourly wage	3.6	3.2	3.1	3.2
Employment	1.8	1.7	1.5	1.4
Unemployment rate (% of labour force)	4.2	4.1	3.9	3.9

Economy



★ The share of the nation's income that wage and salary earners receive (the labour income share) rose in the year to March 2019 according the [National accounts (income and expenditure)] published by Statistics New Zealand in November. As a proportion of New Zealand's domestic income after taking account of depreciation (Net Domestic Income), the labour income share was 58.0 percent in the year to March 2018 and has risen to 58.9 percent in the year to March 2019, restoring it to where it was in the year to March 2017. A revision of the National Accounts statistics showed the share falling in the year to March 2018 (essentially the last year of the outgoing Government) whereas the provisional data release at this time last year showed it as flat. Each percentage point of the labour income share is worth just over $1,000 per year ($1,040) to the average wage and salary earner. But wage and salary earners have still on average lost almost $2,500 per year ($2,470) due to the fall in the labour income share since 2009. If the share was at the level of 1981 (similar to Denmark's current level), they would be $12,660 per year, or 21 percent, better off.



- Growth in New Zealand's measured economy in the three months to June 2019 was moderate, with [Gross Domestic Product]() rising by 0.5 percent, down slightly from 0.6 percent in the previous quarter and 0.7 percent in the quarter before that. Average growth for the year ended June 2019 was 2.4 percent (and 2.1 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 0.2 percent in the June quarter, seasonally adjusted, up a little from a 0.1 percent increase in the previous quarter, but up 0.8 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 0.5 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, grew at the almost respectable rate of 1.3 percent in the year to June compared to the same period a year ago, the highest it has been since June 2016. It rose 1.6 percent in the quarter, seasonally adjusted.
- **Business investment** fell by 0.9 percent compared to the previous quarter, with a 3.7 percent fall in investment in Non-residential buildings and a 0.6 percent fall in Land improvements, but rises in other types of investment led by Transport equipment (up 2.3 percent) and Plant, machinery and equipment (up 2.1 percent). Other construction investment and Intangible fixed assets each rose 0.1 percent. Comparing the quarter with the same quarter in the previous year, business investment rose 0.3 percent, led by a 9.8 percent rise in Non-residential buildings, a 3.9 percent rise in Intangible fixed assets and 2.4 percent in Plant, machinery and equipment, but these were offset by big falls of 10.4 percent in Other construction and 7.0 percent in Transport equipment. Investment in Residential buildings was down 0.2 percent in the quarter but up 5.2 percent compared to the same quarter in the previous year. 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.

- **Household consumption** expenditure grew 0.5 percent in the June quarter in real terms, after a 0.4 percent increase the previous quarter. Purchases of durable goods (like electrical equipment and furniture) rose 0.8 percent, of non-durable goods (like food and groceries) were static, and of services rose 0.5 percent. It rose a stronger 3.0 percent over the same quarter in the previous year when growth in spending was led by a 4.1 percent increase in durable goods, a 3.1 percent increase in purchases of services, followed by a 1.8 percent increase in non-durable goods purchases.
- 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) was 1.9 percent over the same quarter the previous year, and was 1.2 percent in the most recent quarter.
- **By industry**, the largest contributors to growth in the latest quarter were Electricity, gas, water and waste services (up 3.1 percent), Arts, recreation and other services (up 2.8 percent), Transport, postal and warehousing (up 1.8 percent), and Public administration and safety (up 1.8 percent). They were offset by falls led by Manufacturing (down 0.8 percent), Construction (down 0.8 percent), Health care and social assistance (down 0.2 percent) and Mining (down 4.4 percent). Over the year, all industries grew, ranging from 5.5 percent in Transport, postal and warehousing and 5.1 percent in Public administration and safety, to 0.7 percent in Education and 0.4 percent in Mining.
- New Zealand recorded a Current Account deficit of $2.4 billion in seasonally adjusted terms for the June 2019 quarter, following a $2.5 billion deficit for the previous quarter. There was a deficit in goods trade ($0.8 billion, seasonally adjusted) following a $1.0 billion deficit in the previous quarter, with deficits in all quarters back to September 2014. There was a seasonally adjusted surplus of $247 million in goods and services (up from the $2 million surplus in the previous quarter) including a $1.0 billion surplus in services, while the deficit on primary income (mainly payments to overseas investors) was virtually unchanged at $2.4 billion (seasonal adjustment not available). For the year to June 2019, the current account deficit was $10.2 billion or 3.4 percent of GDP, down from a $10.8 billion deficit in the year to March (3.6 percent of GDP). The deficit on investment income was $9.9 billion for the year.
- The country's Net International Liabilities were $165.9 billion at the end of June 2019, up from $163.9 billion at the end of the previous quarter and significantly up from $154.6 billion a year before. The June liabilities were equivalent to 55.3 percent of GDP, up slightly from the previous quarter (55.2 percent) and up from 53.4 percent a year before. Gross international liabilities were equivalent to 148.9 percent of GDP, compared to 147.6 percent in the previous quarter and 147.6 percent a year before. Net international liabilities would take 1.95 years of goods and services exports to pay off, up from 1.92 years a year before. However, gross liabilities at $433.6 billion would take 5.26 years of goods and services exports to pay off, down from 5.29 years a year before. The rise in net liabilities over the quarter was mainly due to rises in the valuation of liabilities, including derivatives, outstripping rises in the valuation of assets. The actual net financial flow was close to zero (-$2 million) so without the valuation changes, the net liabilities would have been $163.9 billion. New Zealand's international debt was $304.7 billion (other than shares; equivalent to 101.6 percent of GDP), of which 31.2 percent is due within 12 months, compared to $152.2 billion in financial assets (50.7 percent of GDP), leaving a net debt of $152.5 billion (50.8 percent of GDP). Of the net debt, the government including the Reserve Bank had a positive balance of $1.3 billion while $122.1 billion was owed by the banks (40.7 percent of GDP), which owed $172.2 billion gross.

- In international trade in services, exports amounted to $25.4 billion in the year to June 2019, of which over half ($15.8 billion) was Travel and another $3.4 billion was Transportation. Services imports were valued at $21.1 billion, leaving a surplus on services of $4.2 billion for the year. The largest areas of imported services were $5.0 billion in Transportation, $6.7 billion in Travel, $1.7 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 $3.8 billion in a variety of Other business services.

★ Overseas Merchandise Trade for the month of October 2019 saw exports of goods rise in value by 4.3 percent from the same month last year while imports fell 1.4 percent. There was a trade deficit for the month of $1.0 billion or 20.1 percent of exports. There was a trade deficit for the year of $5.0 billion or 8.5 percent of exports. In seasonally adjusted terms, exports fell 2.9 percent or $146 million over the month (after a 2.6 percent rise the previous month), led by falls in Crude oil (down 84.5 percent or $103 million, not seasonally adjusted), Logs, wood and wood articles (down 6.5 percent or $26 million), Fruit (down 5.7 percent or $17 million), Electrical machinery and equipment (down 6.9 percent or $7 million), and Wine (down 3.2 percent or $5 million), offset by rises in Meat (up 7.8 percent or $61 million), Dairy (up 1.8 percent or $25 million), and Aluminium (up 14.9 percent or $14 million, not seasonally adjusted). Seasonally adjusted imports fell 2.5 percent or $134 million on the previous month, leaving a trade deficit of $386 million following a $375 million deficit in the previous month. Imports of none of the leading import goods fell in value, but the fall in value of more minor imports was offset by rises led by Petroleum (up 35.8 percent or $168 million, not seasonally adjusted), Mechanical machinery and equipment (up 12.5 percent or $106 million, not seasonally adjusted), Electrical Machinery and Equipment (up 4.0 percent or $19 million), and Textiles (up 3.4 percent or $9 million). In the year to October, 27.2 percent of New Zealand's exports went to China, 14.9 percent to Australia, 9.5 percent to the US, and 63.0 percent went to the top six countries buying New Zealand exports. This compares with 23.6 percent going to China in the previous year, and 60.7 percent going to the top six destinations. Over the same period, 20.1 percent of New Zealand's imports came from China (compared to 19.5 percent in the previous year), 11.7 percent from Australia, 9.8 percent from the US, and 58.5 percent from the top six countries selling to New Zealand, compared to 57.6 percent a year before. There were trade surpluses with China ($3.2 billion) and Australia ($1.4 billion) but deficits with most other major trading partners.

★ The Performance of Manufacturing Index for October 2019 was 52.6, a jump from 48.8 the previous month, moving from contraction to growth. The employment sub-index was 50.2, little changed from 50.1 last month.

★ The Performance of Services Index for October 2019 was 55.4, up from 54.5 the previous month. The employment sub-index was 52.0, down from 52.6 the previous month.

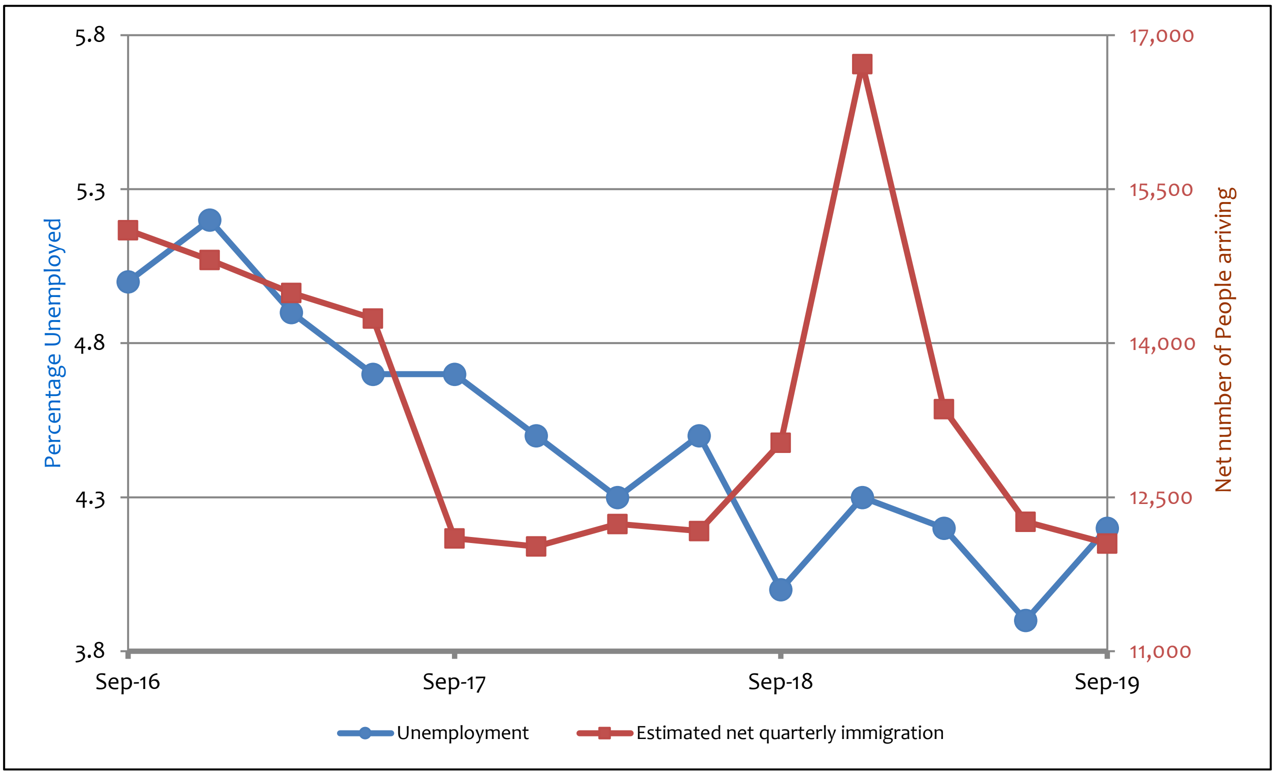
For these indexes, a figure under 50 indicates falling activity, above 50 indicates growing activity. Previous figures are often revised and may differ from those in a previous Bulletin.

★ The Retail Trade Survey for the three months to September 2019 showed retail sales rose 4.5 percent by volume and 4.2 percent by value compared with the same quarter a year ago. They rose 1.6 percent by volume and 1.4 percent by value in the quarter, seasonally adjusted. The fastest rises by seasonally adjusted value over the quarter were in Department Stores (up 3.7 percent), Furniture, floor coverings, houseware, textiles (up 3.7 percent), Liquor (up 3.6 percent), and Electrical and electronic goods (up 3.4 percent), offset by decreases led by Fuel (down 2.8 percent), and Non-store and commission-based retailing (which includes online sales, down 1.0 percent). By far the largest category, Supermarket and grocery stores, rose 1.7 percent.

★ On 13 November, the Reserve Bank left the Official Cash Rate (OCR) at 1.0 percent having reduced it from 1.5 percent in August. The statement from the Monetary Policy Committee reported that it considered that "Economic developments since the August Statement do not warrant a change to the already stimulatory monetary setting". It considered that economic growth "continued to slow in mid-2019 reflecting weak business investment and soft household spending. We expect economic growth to remain subdued over the remainder of the calendar year. We will continue to monitor economic developments and remain prepared to act as required." Growth in trading partners and global trade was also weak, but New Zealand's export commodity prices were strong, and exports had received a boost from the lower exchange rate. Low interest rates, higher wage growth and increased government spending and investment would increase activity next year. "Interest rates will need to remain at low levels for a prolonged period to ensure inflation reaches the mid-point of our target range and employment remains around its maximum sustainable level. We are committed to achieving our inflation and employment objectives. We will add further monetary stimulus if needed." The record of the Committee's discussion showed concerns about the impact of record low interest rates on financial stability: "The Committee discussed the effect of low interest rates on financial stability. The members noted the risks to the soundness of the financial system. They discussed the relationship between financial stability and the employment and inflation objectives, noting the current deployment of financial stability policies. The Committee agreed it was appropriate to continue to set interest rates to meet its inflation and employment objectives." The Bank was assessing alternative monetary policy tools in case they were needed.

★ According to REINZ, over the year to October the national median house price rose $46,000 or 8.2 percent to $607,500 and REINZ's house price index rose 3.9 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 1.1 percent seasonally adjusted while the house price index rose 1.1 percent. In Auckland over the year the median price was up $7,000 or 0.8 percent to $868,000 while the house price index fell 0.7 percent. Over the month, Auckland's median price was up 0.5 percent seasonally adjusted, and the house price index fell 0.1 percent. Excluding Auckland, over the year the national median price rose $41,000 to $520,000 or 8.6 percent while the house price index rose 8.2 percent. Over the month the median price excluding Auckland was up 1.3 percent seasonally adjusted, and the house price index was up 2.1 percent. There were record median prices in Northland (up 9.4 percent over the year to $525,000), Waikato (up 9.6 percent to $570,000), Manawatu/ Whanganui (up 20.9 percent to $407,500), Bay of Plenty (up 7.8 percent to $620,000), Hawke's Bay (up 16.3 percent to $535,000) and Otago (up 15.8 percent to $550,000). Median prices rose over the year in 15 of REINZ's 16 regions, with the fastest rise being in Gisborne (up 37.1 percent), followed by Southland (up 23.5 percent). The median price fell in Taranaki (down 0.5 percent). Seasonally adjusted median prices fell over the month in 4 of the 16 regions, with the steepest fall in Marlborough (down 5.6 percent) and steepest rise on the West Coast (up 19.3 percent). Sales fell in 7 of the 16 regions over the month, seasonally adjusted, while over the year, sales fell in all but 3 of the regions, with a national fall of 4.0 percent and changes ranging from a rise of 20.2 percent in the Bay of Plenty to a fall of 28.7 percent in Marlborough.

Employment



Note that on 1 October 2019, Statistics New Zealand revised all data since Sept 2013 from the Household Labour Force Survey to account for the latest population estimates from the 2018 Census.

★ According to the Household Labour Force Survey (HLFS) the seasonally adjusted **unemployment** rate in the September 2019 quarter rose to 4.2 percent or 115,000 people, compared to 3.9 percent three months before (108,000 people). If it were the 3.3 percent it was in December 2007, 24,000 more people would have jobs. The seasonally adjusted female unemployment rate rose to 4.6 percent from 4.3 percent three months before, higher than for men (3.8 percent) whose unemployment rate rose from 3.6 percent. Māori unemployment fell from 8.5 percent a year before to 8.0 percent in September, while Pacific people's unemployment rose from 6.3 percent to 7.5 percent over the year. Compared to OECD unemployment rates, New Zealand went from 13th lowest to 14th equal lowest (out of 36 countries). New Zealand's employment rate for 15-64 year olds remained at 5th equal highest for the OECD at 77.4 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 September 2019 quarter there were a total of 295,000 people looking for work classed as "underutilised", or 10.4 percent of the labour force extended to include these people, in seasonally adjusted terms. The rate is down on the previous quarter (11.0 percent in seasonally adjusted terms) and down from 11.4 percent a year before. It is higher for women at 12.6 percent than for men at 8.3 percent. Among the underutilised people, 93,000 were underemployed, 115,000 were officially unemployed, and 88,000 were additional jobless people looking for work.

★ **Youth unemployment** for 15-19 year olds was 15.5 percent in September 2019, down from 17.4 percent three months before, but up from 14.6 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 September 2019, the unemployment rate was 21.8 percent, down from 23.0 percent a year before. For 15-19 year old Pacific Peoples it was 17.5 percent, up from 16.5 percent a year before. For 20-24 year olds, youth unemployment was 7.8 percent, up from 7.0 percent three months before, and up from 6.7 percent a year before. For Māori 20-24 year olds the unemployment rate was 11.5 percent, up from 9.0 percent a year before. For 20-24 year old Pacific Peoples it was 11.2 percent, up from 6.0 percent a year before. The proportion of 15-19 year olds "not in employment, education, or training" (the NEET rate) was 7.5 percent, down from 8.0 percent three months before and down from 7.7 percent a year before. For Māori 15-19 year olds the rate was 12.1 percent, up slightly from 12.0 percent a year before and for Pacific Peoples it was 9.0 percent, up from 6.1 percent a year before. For 20-24 year olds the NEET rate was 13.5 percent, up from 12.5 percent three months before and up from 12.6 percent a year before. For Māori 20-24 year olds the NEET rate was 24.5 percent, up from 20.1 percent a year before, and for Pacific Peoples it was 19.8 percent, up from 18.8 percent a year before. For the whole 15-24 year old group, unemployment was higher for those in education (13.0 percent) than those not in education (9.4 percent). There were 69,000 people aged 15-24 years who were not in employment, education, or training (NEET), seasonally adjusted, up from 67,000 three months before and a year before.

★ By **region**, in September 2019, in the North Island, Taranaki had the worst regional unemployment rate at 6.0 percent, up from 4.1 percent a year before, while Manawatu-Whanganui and Gisborne/Hawke's Bay were at 5.2 percent, up from 3.6 percent and 4.1 percent respectively a year before. At the other end of the range, Wellington had just 2.9 percent unemployment (down from 4.5 percent a year before) and Bay of Plenty 3.8 percent (up over the year from 3.6 percent). Auckland was at 4.1 percent, up from 3.7 percent a year before. The South Island had average unemployment of 3.6 percent compared to 4.1 percent in the North Island. In Tasman/Nelson/Marlborough/West Coast unemployment was 3.4 percent, down from 3.9 percent a year before, in Canterbury it was 3.6 percent, almost unchanged from 3.5 percent a year before, in Otago it was 3.0 percent, down from 3.8 percent a year before, and in Southland 4.5 percent, up from 4.3 percent a year before.

★ There were 35,400 unemployed people in September 2019 who had been **out of work for more than 6 months** compared to 35,700 a year before. This is 32.5 percent of the unemployed compared to 34.3 percent a year before, but is still at a much higher level than the mid-2000s. The 14,700 out of work for more than a year are 13.5 percent of the unemployed compared to 15.4 percent a year before. After rising until mid-2017, the proportion of long-term unemployed appears to have peaked and is trending downward. It tends to peak in the September quarter each year.

★ The number recorded as **employed** rose by 6,000 over the three months to September 2019 (seasonally adjusted). It rose by 23,000 over the year. The employment rate (the proportion of the working age population – those aged 15 and over – in paid work) remained at 67.5 percent compared to three months previously. It was 62.9 percent for women and 72.2 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 70.3 percent three months before, though down from 70.8 percent a year ago.

★ **By industry**, the actual increase in employment of 9,700 in the three months to the September 2019 quarter (not seasonally adjusted) was made up of both gains and losses. The largest gains were 20,900 in Health care and social assistance, 8,600 in Arts, recreation and Other services, 6,500 in an industry "not specified" category, and 6,000 in Construction. The largest losses were 15,300 in Professional, scientific, technical, administrative, and support services, 13,500 in Education and training, and 5,600 in Agriculture, forestry and fishing. Over the year, within the total increase of 23,900 the largest gain was in the "not specified" category, which increased by 19,900, followed by 11,400 in Arts, recreation and Other services, 9,500 in Financial and insurance services, and 7,200 in Professional, scientific, technical, administrative, and support services. They were offset by falls in employment led by 17,700 in Education and training, 8,300 in Manufacturing, 4,500 in Information media and telecommunications, and 4,200 in Wholesale trade. The largest employer of minimum wage workers, Retail Trade and Accommodation, and food services, lost 4,800 in the quarter but gained 3,700 in the six months since the minimum wage rise on 1 April. In the last decade the sector has gained workers over that six months only two other times; the other 7 years this has been a time when its workforce has reduced.

★ In the September 2019 quarter, total **union membership** was estimated at 399,800, a 0.7 percent fall from 402,500 in the previous quarter and down 1.7 percent from 406,500 a year before. The membership is 18.7 percent of employees compared to 18.8 percent three months before and 19.2 percent a year before. Women make up 58.4 percent of the membership compared to being 50.1 percent of all employees. As a result, the proportion of female employees who are in unions is higher than for males: 21.7 percent compared to 15.6 percent. The membership of women workers was down 3.2 percent over the year, compared to a rise for men of 0.6 percent. The membership changes were not evenly spread across age groups: the membership of 15-24 year olds rose 9.0 percent in the year and 0.4 percent in the quarter, 25-34 year olds rose 4.6 percent in the year and rose 2.7 percent in the quarter, 35-44 year olds fell 4.1 percent in the year and rose 1.0 percent in the quarter, 45-54 year olds fell 5.6 percent in the year and 0.5 percent in the quarter, 55-64 year olds fell 7.6 percent in the year and 5.7 percent in the quarter, and 65+ year olds rose 12.7 percent in the year and 0.5 percent in the quarter. Only the 45-54 age group has lost membership numbers since June 2016, (though 55-64 year olds have stood still) but some have not grown as fast as the number of employees of the same age. Standouts at one extreme were the 25-34 age group which increased from 64,900 workers to 85,600 since June 2016 (32 percent), and at the other, 45-54 year olds whose membership numbers declined from 104,700 to 92,800. 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, the largest union membership growth over the year was in Public Administration and Safety, and in Wholesale Trade, both of which increased 1,400, followed by Retail Trade which rose by 1,300, and Professional Scientific and Technical Services, which rose by 1,100. "Not Elsewhere Included" rose 2,300. The largest falls over the year were in Education and Training which fell 8,900, Health Care and Social Assistance which fell 5,300, and Manufacturing which fell by 5,200. There were mainly rises in other industries (only 8 of the 20 top-level industries fell), but they are unlikely to be statistically meaningful.

★ In the September 2019 quarter, total **collective employment agreement** coverage was estimated at 386,600 employees, which makes 18.0 percent of employees who said their employment agreement was a collective compared to 18.5 percent three months before and 19.1 percent (404,700) a year before. An estimated 71.0 percent (1,521,100) said they were on an individual agreement compared to 70.9 percent three months before and 69.0 percent a year before, and 5.1 percent or 108,600 said they had no agreement (which is illegal), compared to 5.2 percent three months before and 5.6 percent a year before. A further 5.8 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, 35-44 year old, 45-54 year old and 55-64 year old age groups (down 4.4 percent, 5.7 percent, 8.6 percent and 9.9 percent respectively) while 25-34 year olds rose 2.5 percent and 65+ rose 11.2 percent. Membership of those aged 15-24 fell 4.4 percent in the year and 10.5 percent in the quarter (there appears to be a strong seasonal fall in the September quarter), 25-34 year olds rose 2.5 percent in the year and 0.7 percent in the quarter, 35-44 year olds fell 5.7 percent in the year and 5.0 percent in the quarter, 45-54 year olds fell 8.6 percent in the year and 2.1 percent in the quarter, 55-64 year olds fell 9.9 percent in the year and 2.8 percent in the quarter, and members aged 65+ rose 11.2 percent in the year and rose 7.8 percent in the quarter. Density fell for all but the 25-34 year old and 65+ age groups over the year. Collective membership grew by 2,800 in Public Administration and Safety, 2,100 in Financial and Insurance Services, 1,900 in "Other Services" (which includes unions themselves) and 2,300 "Not Elsewhere Included". Manufacturing fell 6,800, Education and Training 7,800, Accommodation and Food Services 4,700, Health Care and Social Assistance 4,300 and Construction 2,600. There was a majority of falls (again with doubts how statistically meaningful the figures are).

★ By **employment relationship**, in the September 2019 quarter, 91.2 percent of employees (1,955,200) reported they were permanent, 4.5 percent casual (97,200), 2.3 percent fixed term (50,300), 0.9 percent seasonal (20,100), and 0.3 percent employed through a "temporary agency" (6,900). The proportion reporting they were permanent was down from 91.3 percent (1,949,600) three months before and from 91.5 percent (1,940,500) a year before. Women were slightly less likely to be permanent employees: 90.3 percent of women were permanent compared to 92.1 percent of men. Instead, women were more likely to be casual (5.2 percent of them compared to 3.8 percent of men) or fixed term (2.9 percent of women compared to 1.8 percent of men). However more men were in seasonal work than women – 1.3 percent of men compared to 0.6 percent of women. Of the temp agency employees, 3,900 were men and 3,000 women. The highest union density is among Temporary seasonal employees – 42 percent in the September quarter, though this a very small group of employees (2,400 in September but averaging 3,500 since June 2016). Next highest density is among the 17,500 Permanent Seasonal employees at 26 percent in September, though it had averaged 36 percent over the previous 6 quarters. Lowest density is among Casual employees which was at 8 percent, not far from its average of 7 percent since June 2016, and the 6,900 Temporary agency employees, at 7 percent, which has also averaged 8 percent but very variable. Both Permanent employees (19.7 percent density) and Fixed term employees (22 percent density) are above the overall average.

★ By **duration of employment (job tenure)**, in the September 2019 quarter, 23.6 percent of those in the labour force (including the self-employed) had been in their jobs for less than a year. Another 33.8 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 16.2 percent had been in their job for at least five but less than ten years, and 25.1 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, 26.8 percent of men had been in their jobs for more than 10 years, but only 23.2 percent of women. Age is a significant factor as would be expected: 53.0 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 15.0 percent of 45-54 year olds and 10.2 percent of 55-64 year olds. Small differences may not be statistically significant.

★ In International Migration, there were a provisionally estimated 11,690 permanent and long-term arrivals to New Zealand in September 2019 and 8,250 departures in seasonally adjusted terms, a net gain of 3,440 which was a sharp fall from the 4,150 estimated for the previous month. There was a seasonally adjusted net loss of 1,900 New Zealand citizens, compared to a loss of 1,380 the previous month, and a net gain of 5,340 other citizens, compared to 5,530 the month before. There was an estimated actual net gain of 54,623 migrants in the year to September, up from 49,538 in the year to September 2018. During the month, 8.9 percent of the arrivals had residence visas, 16.2 percent student visas, 27.4 percent work visas, and 18.6 percent visitor visas. A further 28.0 percent were New Zealand or Australian citizens.

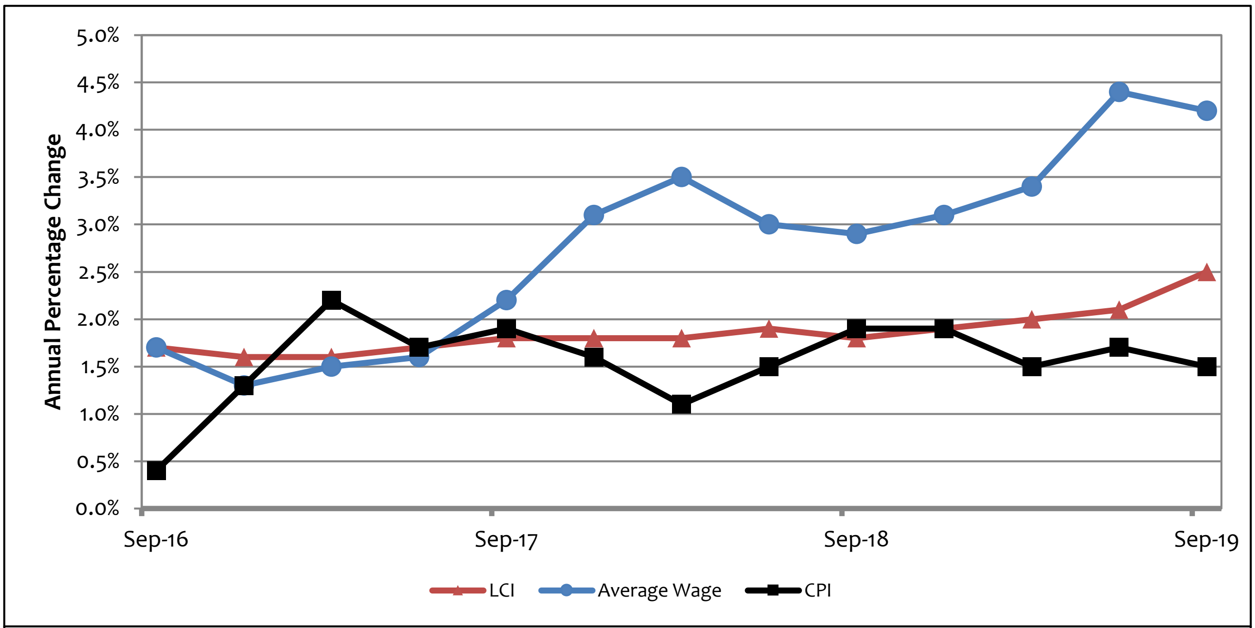
In November 2018, there was a significant change in how migration has been estimated by Statistics New Zealand. It changed from being based on intentions shown on arrival and departure cards to being based on whether they stay in New Zealand (or abroad, respectively) for at least 12 of the next 16 months.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

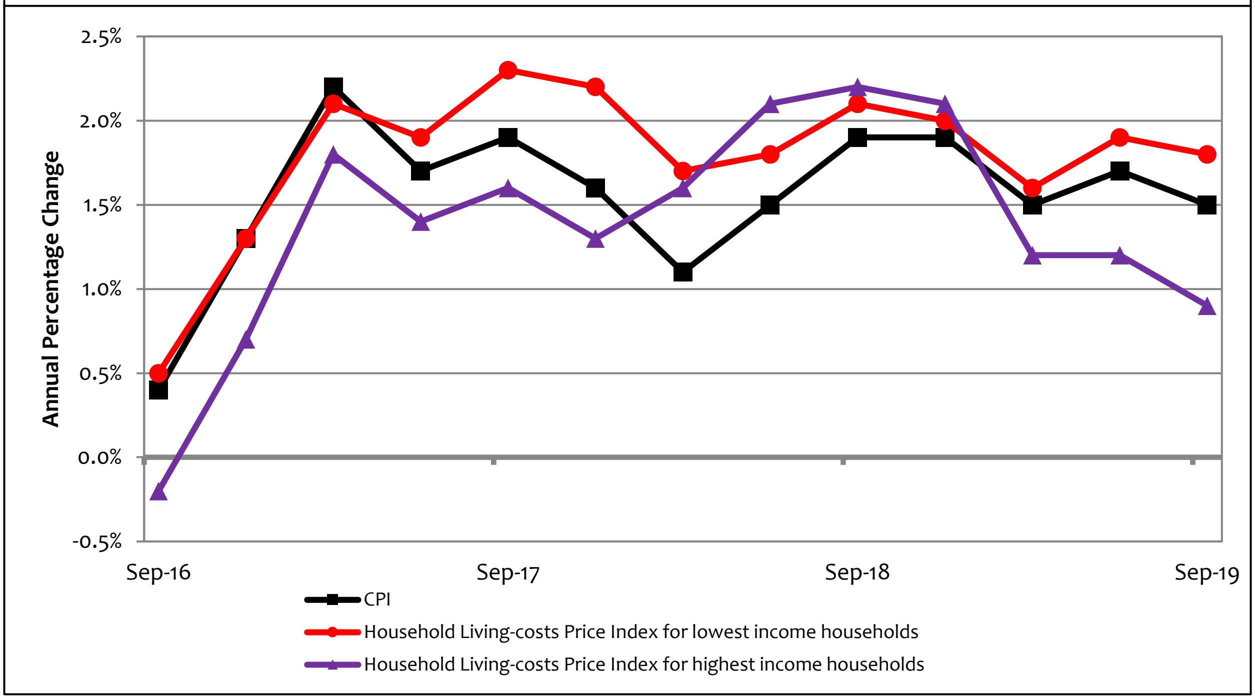
- The Ministry of Social Development reports that at the end of September 2019 there were 142,931 working age people on the Jobseeker benefit, 13,288 more than a year before and 6,698 more than three months before. At that time, 80,602 were classified as 'Work Ready', and 62,329 were classified as 'Health Condition or Disability'. A total of 299,472 were on 'main' benefits, 15,157 more than a year before, with numbers of all other than those on Jobseeker Support relatively stable: Sole Parent Support benefits were up 1,095, Supported Living Payments were up 650 and Other Main Benefits were up 124. There were 7,503 more on main benefits than three months earlier. Of the 38,878 benefits cancelled during the three months to September, 17,313 or 44.5 percent of the people obtained work, 15.0 percent transferred to another benefit and 5.7 percent became full time students. A further 2,356 (6.1 percent) left on their 52 week reapplication or annual review and 2.6 percent were cancelled for failed obligations. Under the previous Government, from September 2014 to September 2017, an average of 42.2 percent left a benefit for work. Under the current Government, from December 2017, 43.7 percent left a benefit for work. A total of 10,470 suffered sanctions (up 10.2 percent on a year before), the majority (9,464 or 90 percent) on a Jobseeker benefit; under the previous Government up 25 percent were on a Sole Parent Support benefit. Of the people sanctioned, 44.3 percent were Māori, though only 36.9 percent of working-age benefit recipients were Māori.

- Job Vacancies Online for the three months to September 2019 showed the seasonally adjusted number of job vacancies rose by 2.5 percent in the quarter and fell 0.9 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, overseas and through recruitment agencies rather than the online job advertisements surveyed for these statistics. Over the quarter, highly skilled vacancies rose 0.8 percent while semi-skilled vacancies rose 2.6 percent and unskilled vacancies rose 6.0 percent, while over the year, highly skilled vacancies rose 0.6 percent while semi-skilled vacancies fell 2.3 percent and unskilled vacancies rose 4.1 percent. Over the quarter, vacancies in Auckland were up 1.1 percent, Bay of Plenty up 0.2 percent, Canterbury up

3.9 percent, Gisborne/Hawke's Bay up 0.1 percent, Marlborough/Nelson-Tasman/West Coast up 8.1 percent, Manawatu-Whanganui/Taranaki down 1.4 percent, Northland down 2.4 percent, Otago/Southland up 4.8 percent, Waikato up 4.3 percent, and Wellington up 1.6 percent. By industry for the quarter, vacancies rose fastest in Education (up 5.3 percent), Construction (up 3.8 percent), and Sales (up 3.1 percent) and fell in Health (down 1.3 percent) and Manufacturing (down 0.6 percent). Over the year IT rose by 4.7 percent, and "Other" rose 14.1 percent, while all others fell lead by Manufacturing (down 6.6 percent) and Primary industries (down 3.2 percent). By occupation, rises in the quarter were led by Labourers (up 7.2 percent), Technical and Trades (up 4.2 percent) and Clerical and Administration (up 2.9 percent). Machinery Drivers fell 1.1 percent and Community and Personal Services fell 0.7 percent.

Wage and prices





★ The Labour Cost Index (LCI) for salary and ordinary time wage rates rose 0.8 percent in the three months to September 2019 and increased 2.5 percent in the year. The annual increase was higher than the 1.5 percent increase in the CPI. The LCI increased 1.4 percent in the public sector and 0.6 percent in the private sector in the three months. Over the year it rose 3.0 percent in the public sector and 2.3 percent in the private sector. Statistics New Zealand notes that the increase in the LCI reflects collective agreements for police and nurses coming into force, and was also impacted by the collective agreement for teachers. The 0.8 percent quarterly increase was the highest since September 2008. During the year, 40 percent of jobs surveyed did not receive a pay rise, and 43 percent of private sector jobs got no rise. For the 59 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 4.2 percent. For those jobs in the public sector that received increases during the year, the median increase was 3.0 percent and in the private sector 3.0 percent; the average increase in the public sector was 3.8 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 September 2019 found the average hourly wage for ordinary-time work was $32.65, up 0.9 percent on the previous quarter and up 4.2 percent over the year, significantly more than the 1.5 percent rise in the CPI for the year. Female workers (at $30.50) earned 11.6 percent less than male workers (at $34.51) for ordinary time hourly earnings. This pay deficit is little different from September 2018 when it was 11.7 percent. The average ordinary-time wage was $30.52 in the private sector, up 0.6 percent in the quarter and 3.9 percent in the year. In the public sector the average ordinary-time wage was $40.86 which was up 1.2 percent in the quarter and up 3.9 percent in the year. Average total hourly wages (including overtime) ranged from $21.49 in Accommodation and food services and $23.26 in Retail trade, to $45.63 in Finance and insurance services, and $40.97 in Information, media, and telecommunications. In Accommodation and food services, 57.2 percent of employee jobs were part time, and in Health care and social assistance 41.7 percent were part time; in Retail trade 39.9 percent were part time; 35.6 percent were part time in Arts, recreation and other services; and 33.8 percent in Education and training. Together these five industries made up 68.7 percent of all part time work. In all 26.5 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 in August. 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.

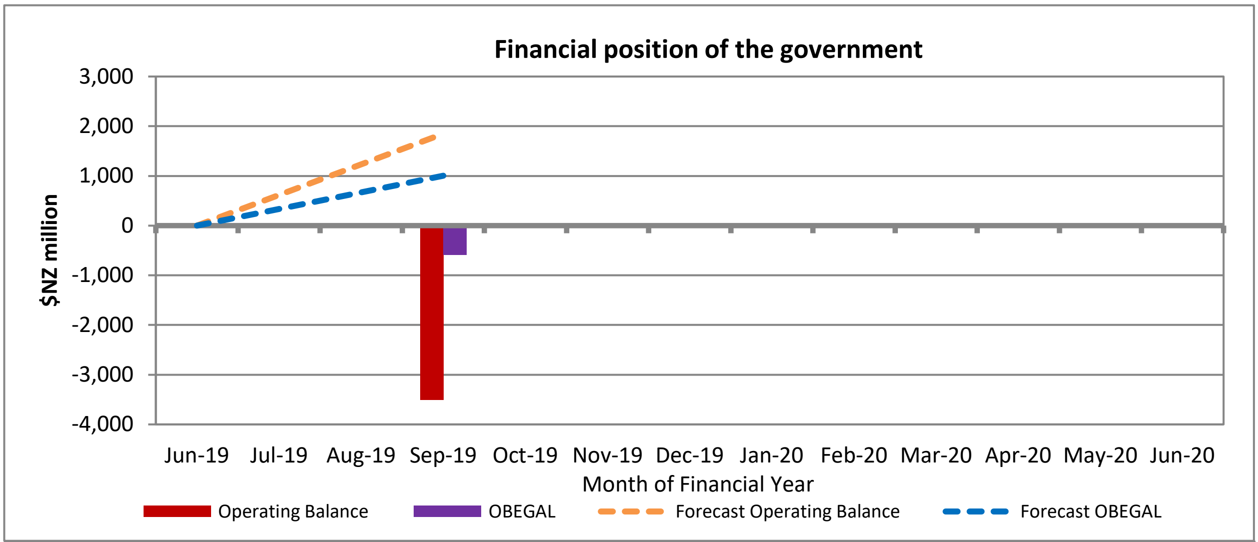
- The Consumer Price Index (CPI) rose 0.7 percent in the September 2019 quarter compared with the June quarter. It rose 0.5 percent in seasonally adjusted terms. It increased 1.5 percent in the year to September, down from 1.7 percent in the year to June. For the quarter, the largest single upward influence was Housing and household utilities which rose 1.2 percent and contributed almost half of the rise (43.4 percent), over half of which came from a 4.9 percent rise in Local authority rates and payments, followed by a 1.0 percent rise in Property maintenance and a 0.8 percent rise in rents (which ranged from 0.3 percent in Canterbury and 0.4 percent in Auckland to 0.9 percent in Wellington). Next came Food which rose 1.3 percent, contributing 36.4 percent of the overall rise. Clothing and footwear fell 0.6 percent, and Household contents and services fell 0.1 percent. Health rose 0.4 percent, the largest contributors being Out-patient services and Hospital Services. Transport rose 0.5 percent with a large increase of 15.7 percent in Domestic air transport. Insurance rose 1.2 percent. Over the year, Housing and household utilities was again the largest contributor, responsible for 49.3 percent of the rise, increasing 3.0 percent. Rents rose 2.8 percent, Purchase of new housing rose 2.9 percent, Property maintenance rose 2.8 percent, Property rates and related services rose 5.0, including Water supply rising 7.0 percent, and household energy rose 1.5 percent. In addition, house insurance rose 7.6 percent and Contents insurance rose 3.5 percent, though mortgage interest (not in the CPI) fell 6.6 percent. In Food, which rose 1.8 percent overall and contributed 22.4 percent of the CPI increase, the biggest impacts were from increases in prices for restaurant and ready-to-eat meals, up by 3.1 percent, and Meat and poultry, up 6.5 percent, while grocery food prices rose 1.9 percent but these were offset by a 9.6 percent fall in Vegetable prices. Rents rose fastest over the year in Wellington (up 4.1 percent) and slowest in Canterbury (up 1.3). In seasonally adjusted terms, CPI showed rose 0.5 percent over the last three months, Food rose 0.8 percent, Alcoholic beverages and tobacco rose 1.0 percent, Clothing and footwear fell 0.7 percent, Housing and household utilities rose 0.8 percent, Communications fell 0.9 percent, Recreation and culture rose 0.3 percent, and Education rose 0.4 percent. Over the year, in Auckland consumer prices rose 1.3 percent, in Wellington they rose 1.3 percent and they rose 1.8 percent in the rest of the North Island. Inflation in Canterbury for the year was 1.2 percent and prices rose 1.8 percent in the rest of the South Island.

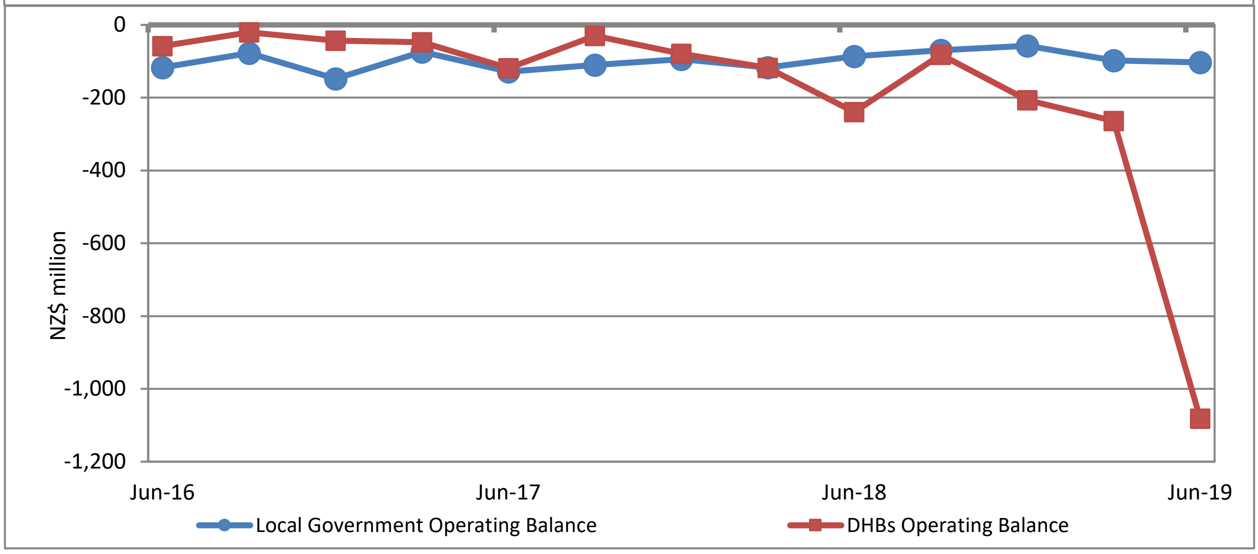
- The Household Living-costs Price Indexes (HLPIs) for the year to September 2019 continued the pattern of lower income households facing the highest increases in living costs. The lowest income households experienced a 1.8 percent increase in living costs over the year while the highest income households saw an increase of only 0.9 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 only 0.7 percent. Over the year, the All-households HLPI rose 1.3 percent, the Beneficiary households index rose the most at 2.0 percent, the Māori households index rose 1.5 percent, and the Superannuitant households index rose 1.9 percent. By income quintile, the index for the lowest income households (quintile 1) rose 1.8 percent, quintile 2 rose 1.5 percent, quintile 3 rose 1.1 percent, quintile 4 rose 1.1 percent, and quintile 5 (the highest income) rose 0.9 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 1.5 percent, quintile 3 rose by 1.3 percent, quintile 4 rose by 1.0 percent, and quintile 5 (the highest spending) rose by 0.7 percent. Over the quarter, the All-households HLPI rose by 0.7 percent, the Beneficiary households index rose 0.6 percent, the Māori households index rose 0.6 percent, and the Superannuitant households index rose 1.0 percent. By income quintile, over the quarter the index for the lowest income households (quintile 1) rose 0.8 percent, quintile 2 rose 0.7 percent, quintile 3 rose 0.6 percent, quintile 4 rose 0.6 percent, and quintile 5 rose 0.5 percent. By expenditure quintile, the index for the lowest expenditure households (quintile 1) rose 1.0 percent, quintile 2 rose 0.7 percent, quintile 3 rose 0.7 percent, quintile 4 rose 0.6 percent, and quintile 5 rose 0.4 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 October 2019 fell by 0.3 percent but rose 0.6 percent in seasonally adjusted terms. Food prices rose 2.5 percent in the year to October 2019. Compared with the previous month, fruit and vegetable prices fell 4.7 percent (and rose 1.2 percent seasonally adjusted); meat, poultry, and fish rose 1.3 percent; grocery food prices rose 0.1 percent (and were up 0.1 percent seasonally adjusted); non-alcoholic beverage prices rose 0.5 percent; and restaurant meals and ready-to-eat food prices rose 0.2 percent. (There are no significant seasonal effects for the categories without a seasonal adjustment.)

Public Sector





- According to Treasury's [Financial Statements of the Government of New Zealand]() for the three months to 30 September, core Crown tax revenue was $1.5 billion (6.8 percent) below forecast in the May Budget Economic and Fiscal Update (BEFU 2019). Treasury commented on this large variance that it is "mainly owing to below-forecast corporate tax revenue. This variance is mainly owing to the phasing method used to forecast monthly corporate tax, therefore it is expected to reverse out during the year. Most other major tax types were close to forecast." 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. Overall core Crown revenue was $1.4 billion or 5.9 percent below forecast. Core Crown expenses were close to forecast at just $89 million (0.4 percent) below forecast. The resulting $0.6 billion deficit in the Operating Balance before Gains and Losses (OBEGAL) was $1.6 billion less than the $1.0 billion surplus forecast. The Operating Balance, a $3.5 billion deficit, was $5.4 billion worse than the forecast $1.8 billion surplus. This was driven by net losses of $4.6 billion on "non-financial instruments" which was $4.5 billion worse than forecast, due primarily to the usual problem of changing discount rates used to calculate ACC outstanding claims liability. "The Emission Trading Scheme also recognised a loss of $0.2 billion due to an increase in carbon price." However they made gains on investments of $1.6 billion, $0.8 billion more than forecast. Net core Crown debt at 20.3

percent (very close to the Government's 20 percent debt target though up a percentage point from the previous financial statements, worth $60.8 billion) was $2.1 billion lower than forecast. Gross debt at $89.6 billion (29.9 percent of GDP) was $4.2 billion above forecast, due to higher levels of Government stock than forecast and $2.0 billion higher losses on derivatives than forecast. The Crown's net worth in financial terms was $4.2 billion above forecast at $136.0 billion. Note that the above debt figures are for the Core Crown; total debt was $119.3 billion, $4.6 billion (4.0 percent) above forecast.

- District Health Boards had 30 fewer full time equivalent staff than planned at the end of the 2019 financial year in June 2019 (67,878 compared to 67,908 planned). Only Nursing Personnel had more staff (724) than planned, but these were offset by shortfalls in Medical Personnel (doctors) who were 131 fewer than planned, Allied Health Personnel (454 short), Management/Administration staff (120 short), and Support Personnel (48 short). Average costs per full time equivalent staff were higher than plan ($109,000 compared to $98,500 planned) and the same was true in each of the staff categories. The DHBs had accumulated combined deficits of $1,081.4 million at the end of June 2019 (unaudited). This is $741.3 million worse than their plans, which class a total $340.6 million of the deficits as "structural". The Funder arms were in surplus by $191.3 million, $138.0 million more than the $53.3 million surplus planned, and Provider arms (largely their hospitals) were in deficit by $1,280.9 million, $887.2 million worse than planned, indicating significant underspending in primary and community health. Every DHB's provider arm was significantly in deficit. The Northern region provider arm was $421.6 million behind plan with a deficit of $512.6 million and all four DHBs in deficit including Auckland with a $197.0 million deficit. The Midland region was $139.0 million behind plan with a deficit of $287.2 million and all of the five DHBs in deficit including Waikato with a deficit of $164.3 million. Central region was $136.9 million behind plan, with a combined $204.7 million deficit and all of the six DHBs in deficit including Capital and Coast with a $87.2 million deficit. The Southern Region was $189.7 million behind plan with a $276.4 million deficit and all five DHBs in deficit, with Canterbury showing a $126.9 million deficit and Southern $91.4 million. Capital expenditure across all DHBs was $224.3 million behind plan with $423.2 million spent out of $647.5 million planned.
- Local Government in the June 2019 quarter recorded no change in its operating income in seasonally adjusted terms and a 0.2 percent rise in operating expenditure ($5.7 million) including a 0.3 percent fall in employee costs (down $1.5 million) compared to the previous quarter. This resulted in an operating deficit of $103.1 million in the quarter, compared with a deficit of $97.6 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/economicbulletin215. For further information contact Bill Rosenberg.