NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

CTU Monthly Economic Bulletin

No. 162 (October 2014)

Commentary

What's happening to the self-employed?

Summary

Unions and many others are concerned about the development of "dependent contracting" in New Zealand. It is a form of self-employment in which the worker is virtually tied to one employer/contractor and is an employee in all but name and employment rights. This situation is ripe for exploitation and abuse of the worker. Though it is almost impossible to tell how many workers are in this vulnerable dependent contractor position, it is important to understand how self-employment has changed in New Zealand over recent years.

The biggest group of self-employed covers those who work for themselves with no employees: "own-account workers". They rose from 9 to 10 percent of employment in the late 1980s to 12-13 percent around the turn of the century, before returning back to 9-10 percent now. They include dependent contractors.

The other big group is the self-employed who employ others (the "self-employed employers"). They rose from around 7 percent of employment in the late 1980s to around 9 percent in the mid-1990s, but then fell to the current all-time low (since 1986) of 3.0 percent.

Finally there is a very small group, "unpaid relatives assisting" who are classified as self-employed (rather than slaves!) and hover around one percent of total employment.

We focus on the first two groups. The own-account workforce has been ageing. Between 1991 and 2011, the 45-plus age group grew markedly at the expense of the rest.

Between 1978 and 2012 in Agriculture, Forestry and Fishing the paid hours of the self-employed fell from 59.1 percent of all paid hours in the industry to 44.0 percent. Presumably this is due to the increasing dominance of corporate farming, larger farms and wealthy farmers owning several farms. As a result, Agriculture, Forestry and Fishing fell from 30.1 percent of total hours for the self-employed in the economy in 1996 to 18.6 percent in 2012.

Its biggest single replacement was Professional, Scientific and Technical Services. Construction remains a large contributor to self-employment. But there were also very significant moves over these years from employees to self-employed – mostly own-account workers. These occurred in a number of industries, notably Information, Media, and Telecommunication, Finance and Insurance, Manufacturing, Wholesale trade and Transport.

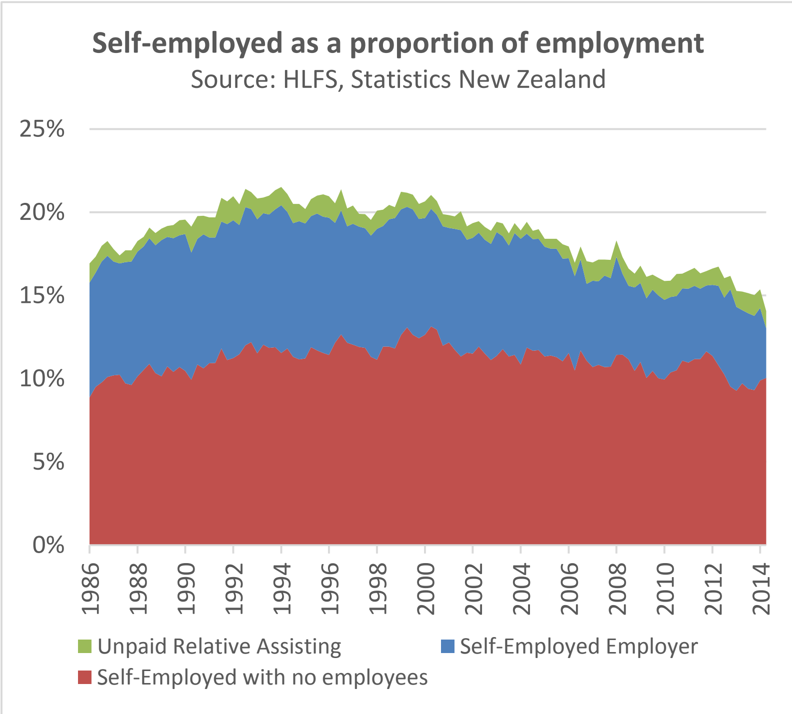
Each industry has a story to tell. Understanding the underlying contracting and employment relationships is beyond this data, but it does give further insight into the substantial changes in employment relationships that occurred in the last 30 years.

Self-employment (and small to medium sized businesses which are often the same thing) seem to have almost a divine status in some quarters because of the sheer number of them, and their potential for innovation. For some – like lawyers, accountants and farmers – they are the path to financial success and job satisfaction. But this tends to gloss over many having problems of management skills, health and safety, and survival. Too often they drive calls for worsening employment conditions because they lack the skills, will or capability to do the right thing in managing their staff.

On the other hand, when self-employment takes the form of dependent contracting in which the worker is virtually tied to one employer/contractor and is an employee in all but name and employment rights, the situation is ripe for the worker's exploitation and abuse. All too frequently workers get into this position as a result of deliberate action by an employer, as a way of forcing down pay rates and contracting out of normal employer responsibilities for the people they employ. The CTU wrote about this in our publication about insecure work, *Under Pressure*, last year.

It is almost impossible to tell from publicly available statistics how many workers are in this vulnerable dependent contractor position. But it is important to understand how self-employment has changed in New Zealand over recent years. In this commentary I use some data that wasn't available to us when we were writing *Under Pressure* that gives some more insights into those changes.

The bigger picture



Self-employment has risen and fallen as a proportion of the employed workforce since 1986 (when the first regular statistics other than the Census began being published in the Household Labour Force Survey, HLFS).

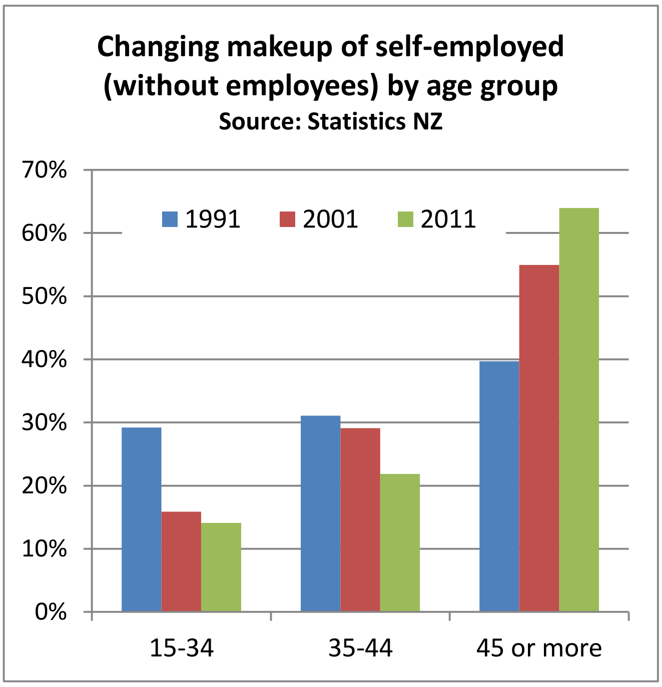
There are three forms of self-employment identified in the statistics. The biggest group (in red in the graph) is the "pure" self-employed – those who work for themselves with no employees. I'll call them "own-account workers" to distinguish them. They rose from 9 to 10 percent of employment in the late 1980s to 12-13 percent around the turn of the century, before returning back to 9-10 percent now. It is among this group that we would find the dependent contractors, but there are likely to be many others who do anything from living very well to just scraping by.

The other big group is the self-employed who also employ others (I'll called them the "self-employed employers"). That rose from around 7 percent of employment in the late 1980s to around 9 percent in the mid-1990s, but then fell more-or-less steadily. It is now at an all-time low since 1986 of 3.0 percent.

Finally there is a very small group, "unpaid relatives assisting" who are classified as self-employed (rather than slaves!) and hover around one percent of total employment, never having been higher than 1.6 percent (in 1990). The HLFS and 2001 and 2006 Censuses show that about a third of them are in Agriculture, Forestry and Fishing (probably mainly in agriculture), with smaller concentrations in other industries, particularly Construction, Retail (perhaps corner grocers and other small shops), Accommodation and Food Services, and in the last few years, Arts, Recreation and Other Services.

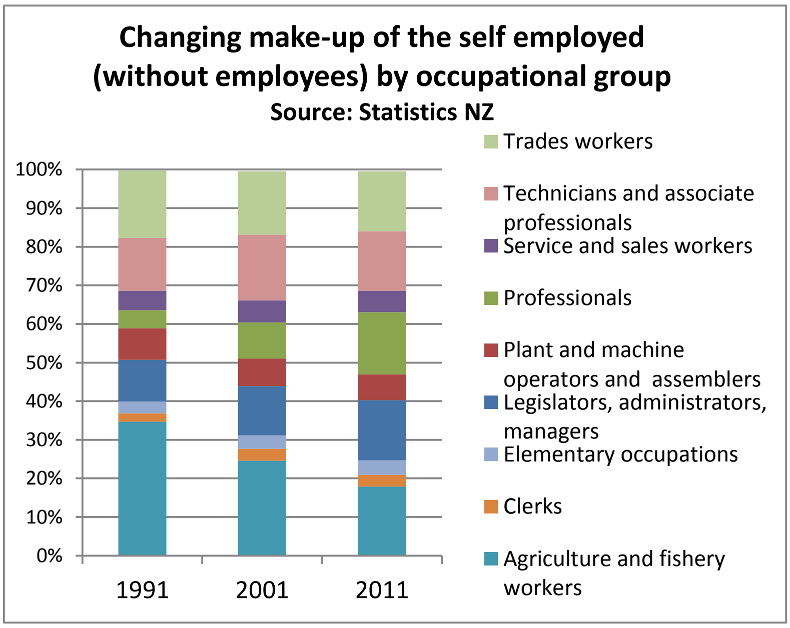
Putting the three groups together, the overall picture is of a rise from around 17 to 18 percent in the late 1980s to a peak of 21 to 22 percent in the mid to late 1990s, and then falling since the turn of the century taking us back to somewhat lower than where we started – in June 2014 it fell to the lowest value over this period at 14.1 percent.

But this hides quite remarkable changes in the make-up of the self-employed.



Changes by occupation and age

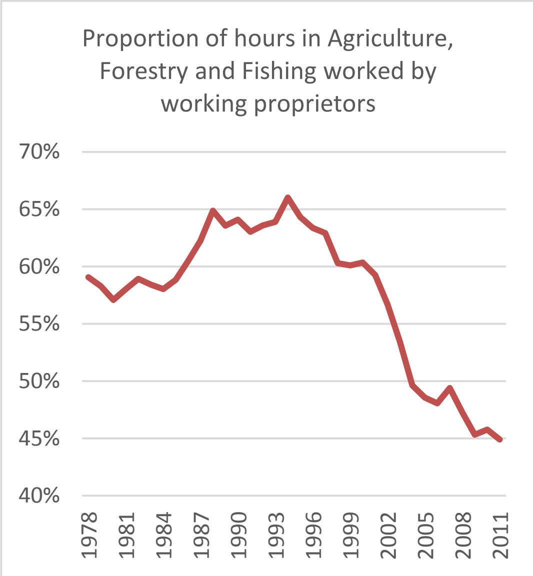
In *Under Pressure* we looked at the own-account workers by occupational group and age, between 1991 and 2011. This shows a marked change: agricultural and fishery occupational groups fell significantly as a proportion of all self-employed, with their places taken by a rising proportion of professionals and managers. The self-employed workforce has also been ageing. The 45-plus age group grew as a proportion of the self-employed at the expense of the 15-34-year-old and 35-44-year-old age groups. The same occurred in almost all occupational groups. We concluded: "It suggests that success in self-employment is increasingly dependent on high levels of experience." And perhaps older people find it harder to get wage and salary jobs and are forced into self-employment.



At that time we didn't have historical data for self-employment by industry – though the change in occupational groups gives some good clues. However, Statistics New Zealand calculate hours worked by both self-employed and employees on an industry basis for their productivity statistics. Unfortunately it's not available over a long period for all industries, but most are covered. It is only for *all* self-employed who work for pay (that is, both own-account workers and self-employed employers), often called "working proprietors". It is also hours paid, rather than hours worked or numbers of people in employment.

Changes by industry

The hourly employment data shows a picture that is broadly consistent with the occupational data. Between 1978 and 2012, in Agriculture, Forestry and Fishing, the paid hours of working proprietors fell from 59.1 percent of all paid hours in the industry to 44.0 percent. In fact the decline took place almost entirely between 1994 and 2012: from 66.0 percent of hours down to 44.0 percent. Presumably this is due to the increasing dominance of corporate farming, larger farms which require more employees to operate them, and wealthy farmers owning more than one farm, using farm managers to run most or all of them. There were similar changes in forestry and fishing. As a result, Agriculture, Forestry and Fishing fell from 30.1 percent of total hours for working proprietors in the economy* in 1996 to 18.6 percent in 2012.



What replaced the land-based industries to more or less maintain the proportion of self-employment in total employment? In part, it didn't hold – it was lower in 2012 than in 1986. But the biggest single replacement was **Professional, Scientific and Technical Services**, which includes lawyers, accountants, advertising, marketing, management and consultancy services, as well as architects, engineers, veterinary services and scientific and research services. It is easy to understand why this sector boomed, and my guess is that it wasn't because of science and research (most of which is done by employees in any case). We only have hourly data back to 1996, but this industry's working proprietor hours rose from 7.2 percent of all working proprietor hours in 1996 to 14.1 percent in 2012 – almost double. However this was not apparently due to a change in employment relationships: working proprietors' hours in the industry rose only from 29.1 percent of hours to 33.1 percent in 2012. It was mainly due to the industry's growth.

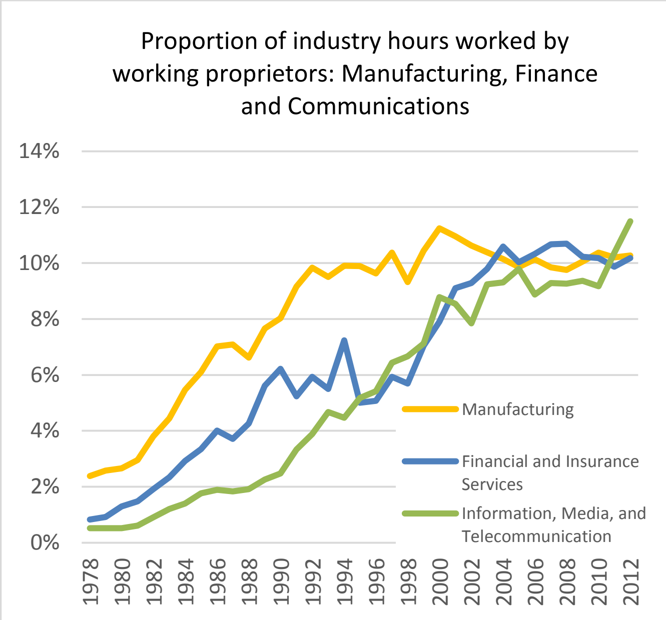
Another large contributor to self-employment is **Construction** – in 2012 it contributed 14.7 percent of working proprietor hours in the economy. This has remained reasonably constant (give or take the boom and bust nature of the industry) since 1996, and was also stable from 1978 to 1995. Working proprietors worked 32.9% of the total hours paid in the industry itself in 2012, a proportion that was higher than the 27.5 percent back in 1978, but lower than the peak of 48.3 percent in 1993, since when it has been falling reasonably steadily. It is consistent with construction firms growing in size.

While the hourly data doesn't allow us to look at the trend of employment of own-account workers in Construction, there is Census and HLFS data that gives some clues. In 2001, Census data shows that 65.9 percent of the working proprietors in Construction were own-account workers. The 2006 Census shows a fall to 61.6 percent. However the HLFS shows a sharp rise for 2011 to 2014. On average over those years it was over 70 percent (the exact figures need to be treated with a little caution: they are collected using a survey rather than the Census and there are quite large sampling errors). However, own-account

* References to hours in the economy exclude Public Administration and Safety (which includes core government), for which I don't have hours paid, but it has very few working proprietors according to HLFS data since 2011.

workers don't appear to be displacing employees who have risen from 51.9 percent of Construction employment in 2001 to 63.4 percent in 2006, and around 70 percent from 2011 to 2014. Rather, the proportion of self-employed employers has fallen. It seems likely this reflects an increase in firm size, both at the principal contractor and sub-contractor level, but it would take more analysis to understand what it means about the use of contractors.

Other large contributors to working proprietor hours are Manufacturing (6.9 percent of total working proprietor hours in 2012) and Retail (7.9 percent), but a more interesting story is about how some of the industries have changed over the years, even if their self-employment proportion is still relatively low.



Looking at the change in mix between employees and working proprietors, the biggest change by far has been in **Information, Media, and Telecommunication**, where the proportion of working proprietors in the industry has grown from 0.5 percent in 1978 to 11.5 percent in 2012 – an increase by a factor of over 20. The industry – which includes publishing, broadcasting, movie, sound and video making, internet services and telecommunications – is well known for its contracting out. Virtually all of these working proprietors are own-account workers: the HLFS shows that for 2011, there were only 1,000 self-employed employers and 3,900 own-account workers, out of 43,200 people working in the sector, so almost 80 percent of the self-employed were working on their own. For 2012 to 2014, the numbers are unavailable but they are likely to be of a similar magnitude. The 2006 Census showed a similar picture: 1089 self-employed employers and 4,734 own-account workers. However the industry provided only 1.2 percent of working proprietor hours in the economy in 2012.

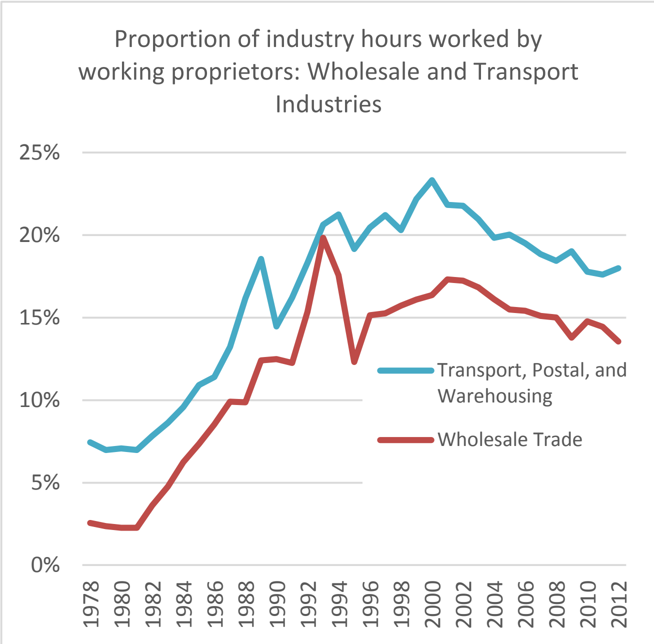
The next largest change is in **Financial and Insurance Services** where the proportion of working proprietors in the industry has grown from 0.8 percent in 1978 to 10.2 percent in 2012 – an increase by a factor of almost 12. Again, despite the huge change it is a relatively small contributor to self-employment hours in the economy – only 1.7 percent. And like Information, Media and Telecommunication, a high proportion of its self-employed are own-account workers – 67.6 percent in the 2006 Census (4,980 compared to 2,388 self-employed employers), with slightly higher proportions for 2011 to 2014 from the HLFS.

Another large structural change in employment occurred in **Manufacturing** which quadrupled its proportion of self-employment from 2.4 percent to 10.3 percent between 1978 and 2012, about 60 percent of which are own-account workers.

The **Wholesale Trade** (which includes motor vehicle and commission wholesaling) increased the proportion of self-employed by a factor of almost 6 – from 2.6 percent in 1978 to 13.5 percent in 2012. However the proportion peaked at almost 20 percent in the early 1990s and with a few bumps, has reduced since then. There, the proportion of own-account workers is closer to 60 percent (2011 to

2014) though the 2001 and 2006 Censuses show it closer to 50 percent. The industry had 4.0 percent of the economy's self-employment hours in 2012.

In **Transport, Postal, and Warehousing**, the proportion of self-employed hours more than doubled between 1978 and 2012: from 7.5 percent to 18 percent. Like the Wholesale Trade, the proportion peaked several years ago, reaching 23.3 percent in 2000, and has been falling since then. It contributed 4.7 percent of working proprietor hours in the economy in 2012. The proportion of own-account workers is very high according to the most recent (HLFS) figures: around 80 percent. This is up from 70 percent in the 2006 Census.



The proportion of self-employment in **Electricity, Gas, Water and Waste Services** increased six times from 1.2 percent to 6.8 percent, but it contributed only 0.3 percent of working proprietor hours in 2012, the majority being own-account workers according to the Census data in 2001 and 2006 (recent HLFS data is not available).

In the other direction, like agriculture, the proportion of self-employment in **Arts and Recreation Services** shrunk significantly. Between 1978 and 2012 the proportion halved from 31.1 percent to 15.7 percent. In 2012 it provided 1.3 percent of working proprietor hours in the economy. The industry covers museums, parks and gardens, creative and performing arts activities, sports and recreation, and gambling.

To Conclude

Each industry has a story to tell. Understanding the underlying contracting and employment relationships is beyond this data, but it does give further insight into the substantial changes in employment relationships that occurred in the last 30 years. It confirms some trends that unions have observed such as in Information, Media and Telecommunication, and Transport, but offers a few surprises – and a need for further investigation – in other industries.

Bill Rosenberg

Sources:

Hourly data for employees provided by Statistics New Zealand from productivity series; working proprietor data is mostly available as InfoShare series PRD016AA. Data from *Under Pressure*: see that publication, p.19-20. Employment status data: HLFS Infoshare series HLF001AA for total employed labour force. HLFS Infoshare series HLF193AA for 2011-2014 employment status by Industry (Annual – March). Census 2001 and 2006 tables *Industry, Status in Employment and Sex, for the Employed Census Usually Resident Population Count Aged 15 Years and Over, 2001*, and *Industry (ANZSIC06 V1.0 Division) and Status in Employment by Sex, for the Employed Census Usually Resident Population Count Aged 15 Years and Over, 2006*, available from NZ.Stat, Statistics New Zealand.

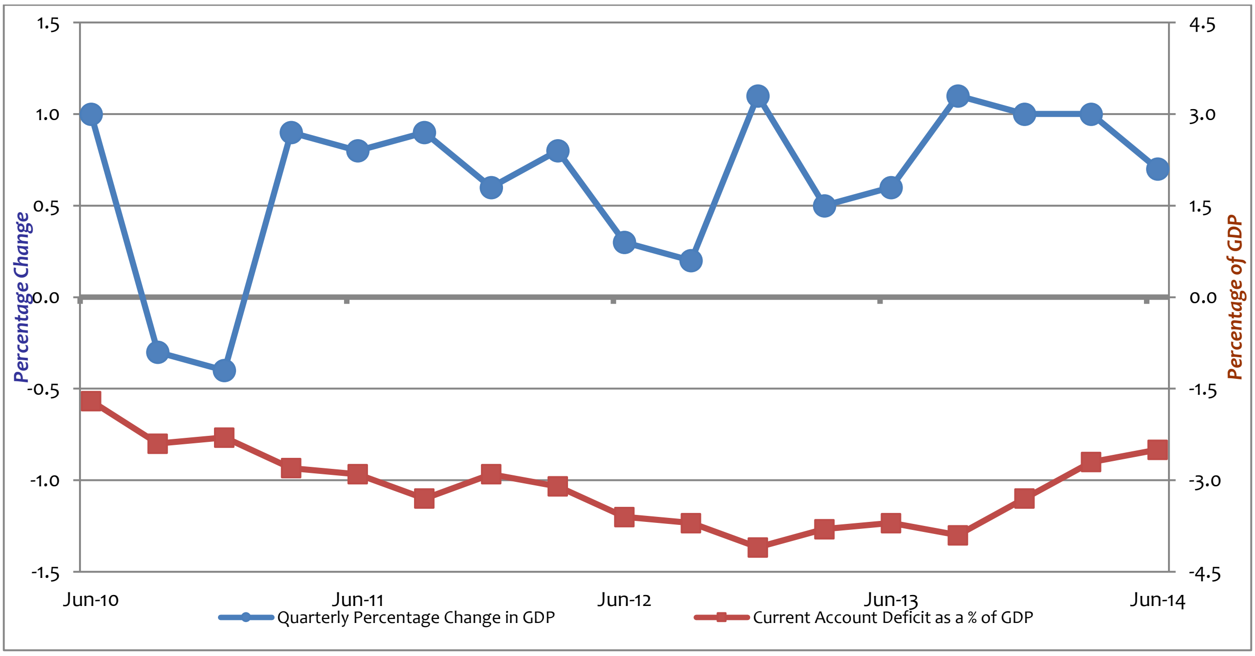
Forecast

- This NZIER forecast was released on 15 September 2014.

Annual Percentage Change (March Year)	**2014-15**	**2015-16**	**2016-17**	**2017-18**
GDP	3.3	2.9	2.2	1.9
CPI	1.6	2.2	2.3	2.2
Private Sector average wage	2.9	3.6	3.5	3.4
Employment	2.3	1.7	1.1	0.8
Unemployment rate	5.3	5.1	5.1	5.3

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

Economy



- Growth in New Zealand's economy continued to increase but less strongly in the June 2014 quarter, with Gross Domestic Product growing at 0.7 percent, compared to quarterly increases of 1.0 percent in March and 1.0 percent in December 2013. Growth for the year ended June 2013 was 3.5 percent. The June 2014 quarter was 3.9 percent up on the same quarter in 2013. The largest quarterly rises by industry were in Administrative and Support Services (up 7.5 percent), Professional, scientific and technical services (up 3.3 percent), Accommodation and Food Services (up3.0 percent), Textile, leather, clothing, and footwear manufacturing (up 2.6 percent) and Construction (up 2.2). However Mining fell 4.5 percent, Forestry and Logging fell 3.5 percent, and Agriculture fell 2.2 percent. Manufacturing fell 0.3 percent following a static March quarter. The tradables (import-competing and export) sector was therefore weak. The result was that Primary Industries fell 3.1 percent, Goods producing industries (which includes Construction) rose 0.7 percent and Service industries rose 1.4 percent. Over the year though (comparing June years), all industries expanded except Mining (which fell 0.9 percent), led by Construction (11.7 percent), Agriculture, forestry and fishing (5.9 percent), Health care and social assistance (5.3 percent), Retail trade and accommodation (4.2 percent) and Financial and insurance services (4.2 percent). Almost all manufacturing industries expanded production from the June quarter last year, the only exception being Textile, leather, clothing, and footwear manufacturing which contracted by 3.0 percent. Food, beverage, and tobacco manufacturing rose 2.1 percent, Wood and paper products manufacturing rose 0.5 percent, Printing 9.3 percent, Petroleum, chemical, polymer, and rubber product manufacturing 5.0 percent, Non-metallic mineral product manufacturing 12.4 percent, Metal product manufacturing 4.5 percent, Transport equipment, machinery and equipment manufacturing 2.9 percent, and Furniture and other manufacturing 4.2 percent. Household consumption expenditure rose 1.3 percent in real terms in the quarter and 3.3 percent from the June 2013 quarter. Expenditure on non-durable goods (such as groceries) rose 0.3 percent in real terms during the quarter and rose only 0.7 percent during the year while durables rose 1.4 percent in the quarter and boomed at 7.4 percent over the year. Business investment rose 2.5 percent in the quarter with large increases in non-building construction (19.9 percent), Transport equipment (9.9 percent) and Intangible fixed assets (6.2 percent).

- New Zealand recorded a Current Account deficit of $2.0 billion for the June 2014 quarter in seasonally adjusted terms ($1.1 billion actual), compared to a 0.6 billion deficit in the March quarter. The deterioration was driven by a falling surplus on goods trade of $0.3 billion while the deficit on income and transfers rose to $2.8 billion. For the year to June 2014, the deficit was $5.8 billion or 2.5 percent of GDP compared to a $6.0 billion deficit in the year to March. The deficit on investment income was $9.8 billion, which is rising because of increased outward flows of income on foreign investment in New Zealand.

- The country's Net International Liabilities were $149.7 billion at the end of June 2014 (65.3 percent of GDP) down from $151.0 billion (66.9 percent of GDP) at the end of March, and the same as the $149.7 billion (70.5 percent of GDP) in June 2013. The fall in net liabilities in the quarter was due mainly to net financial derivative valuation changes and market price changes, with assets rising $4.2 billion and liabilities rising $4.8 billion as a result of actual financial flows. There was a net inward financial inflow of $0.5 billion. Of the net liabilities, $8.7 billion was owed by the government (equivalent to 3.8 percent of GDP) and $98.9 billion by the banks (43.2 percent of GDP), which owed $60.2 billion to related parties. Total insurance claims owed by overseas reinsurers from all Canterbury earthquakes are estimated at $19.7 billion, and at 30 June 2014, $14.8 billion of these claims had been settled, leaving $4.9 billion outstanding. New Zealand's gross international liabilities were $335.8 billion in June, against $186.1 billion in overseas assets. At March 2014, 50. 8 percent of New Zealand's international liabilities were due to the finance sector, and 69.4 percent of New Zealand's international assets.

- ★ Overseas Merchandise Trade for the month of September saw exports of goods fall 5.3 percent from the same month last year while imports rose 22.9 percent, rising across the board but swollen by imports of aircraft. This created a trade deficit for the month of $1,350 million or 37 percent of exports. In seasonally adjusted terms, exports fell 8.7 percent or $372 million over the month (compared to a 14.3 percent rise the previous month) influenced by falls in Dairy, Meat, Logs and wood products (down 7.2 percent), Mechanical machinery and equipment, and Fruit, All other main categories of exports rose. Seasonally adjusted imports rose 14.5 percent or $583 million, creating a trade deficit of $683 million compared to a $271 million surplus in the previous month. Imports grew strongly in Petroleum and products, Mechanical and Electrical machinery and equipment, Textiles and Plastics. Exports to China rose 37.1 percent in the year to September and fell 4.6 percent to Australia. However exports to China fell by 30.1 percent between the month of September 2014 and the month of September 2013. Our top six export destinations accounted for 60.2 percent of our exports in the year (of which China accounts for 22.2 percent), compared to 59.7 percent in the previous year (China 18.0 percent). Imports from China rose 3.7 percent in the same period, and fell 6.8 percent from Australia.

- ★ The Performance of Manufacturing Index[1] for September 2014 was 58.1, a rise from 57.0 in August. The employment sub-index was at 56.0, up from 54.0 in August.

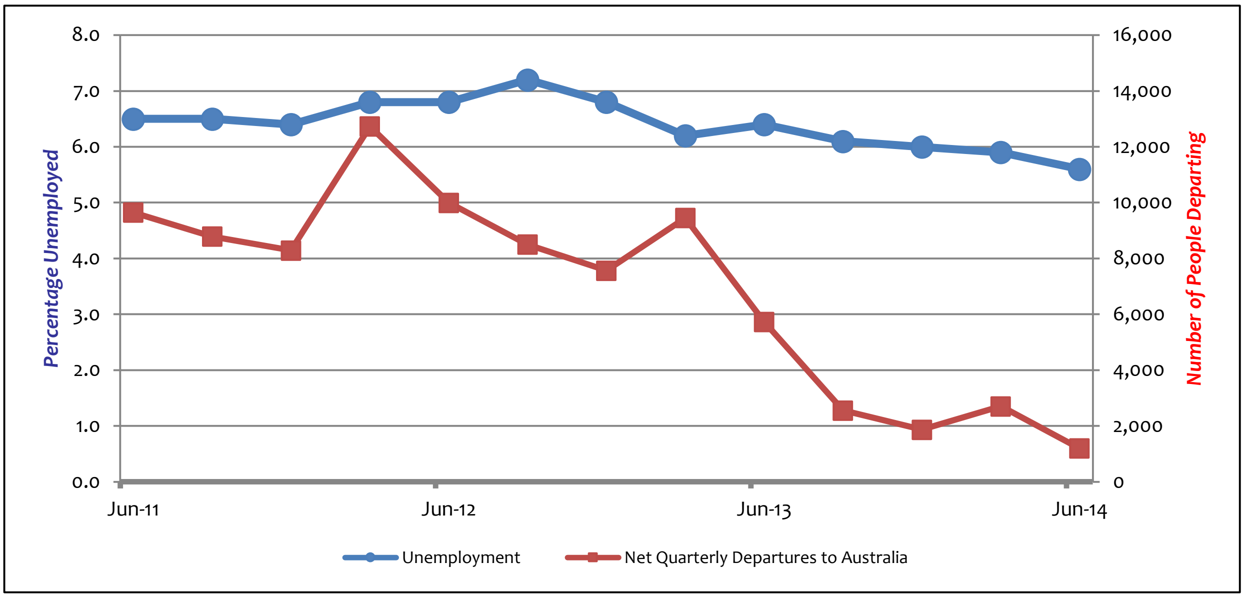
- ★ The Performance of Services Index[1] for September 2014 was 58.0, up slightly from 57.7 in August but down from 58.5 in July. The employment sub-index fell to 55.0 from 56.0 in August though still above the 54.4 in July.

- The Retail Trade Survey for the three months to June 2014 showed retail sales rose 1.2 by volume and 1.0 percent by value in the quarter compared with the March 2014 quarter, seasonally adjusted. By volume, the largest positive contributors to the increase were Motor-vehicle and parts retailing, Food and beverage services Accommodation, Electrical and electronic goods retailing, and Hardware, building and garden supplies. Clothing, footwear and accessory retailing and fuel retailing fell.

- ★ On 30 October 2014 the Reserve Bank left the Official Cash Rate (OCR) at 3.50 percent and signalled that a change was unlikely for some time. The next OCR review will be announced on 11 December along with a Monetary Policy Statement.

- ★ The REINZ Housing Price Index rose 0.2 percent in the month of September 2014. Auckland rose 0.8 percent, Christchurch fell 1.8 percent and Wellington fell 2.8 percent. The index was up 4.1 percent compared to August 2013. For the year, Auckland prices rose 7.7 percent, Christchurch rose 7.1 percent and Wellington rose 1.7 percent. The national median house price was the same as in August at $420,000. It is $20,000 or 5.0 percent higher than a year ago with median prices rising in nine regions. Auckland accounted for 68 percent of the increase, Canterbury/Westland 20 percent and Waikato/Bay of Plenty 5 percent. The three regions accounted for 92 percent of the increase in median prices during the year. There were 610 or 18.2 percent fewer sales under $400,000 compared to September 2013, but a rise of 46 to 428 in the $1 million plus range and 72 fewer (to 1,173) in the $600,000 to $999,999 range. Sales under $400,000 accounted for 46.4 percent of sales in September 2014 but 49.9 percent in September 2013.

Employment



- According to the Household Labour Force Survey the unemployment rate in the June 2014 quarter fell to 5.6 percent from a revised 5.9 percent in March. Seasonally adjusted female unemployment at 6.4 percent was higher than for men (4.8 percent) and unchanged from March (male unemployment was 5.5 percent in March). The unemployment rate in Canterbury was 2.8 percent, down from 4.4 percent in June 2013. Of the increase in employment, 71 percent occurred in Auckland and Canterbury, as did 77 percent of the increase in the labour force with Canterbury accounting for 49.5 percent of the increase in the labour force and 61.3 percent of the increase in the working age population. There were 137,000 people unemployed and the number of jobless people (which includes those discouraged from seeking employment) was 236,500, 8,900 below the 245,400 a year before. There were 98,200 people seeking additional hours, a sharp increase from 87,500 a year previously. Māori unemployment fell from 12.8 percent in June 2013 to 11.0 percent in June this year and Pacific unemployment fell from 16.3 percent in June 2013 to 11.4 percent. The labour force participation rate at 68.9 percent is up 0.7 percentage points from the previous quarter and up 0.8 percentage points for the year. There are 36,600 unemployed people who have been out of work for more than 6 months (down from 37,900 in June 2013), but as a proportion of the unemployed they have risen from 25.6 percent to 27.7 percent over the year. Those out of work for more than a year have risen from 10.0 percent of the unemployed to 11.7 percent over the year. Compared to OECD unemployment rates, New Zealand has improved from 11th position in March 2014 to 9th (out of 34 countries).

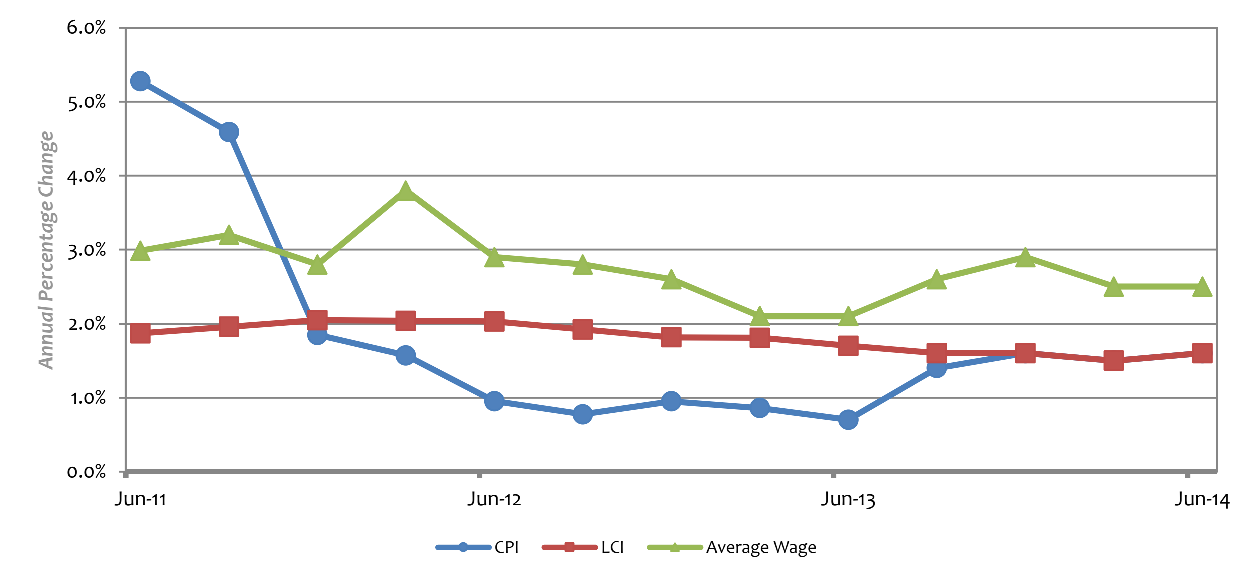
- Youth unemployment (15-19 year olds) was 20.7 percent, down from 21.9 percent in March and from 23.8 percent a year before, in seasonally adjusted terms. It was almost the same among those in education (20.7 percent) as those not (20.8 percent), and the 11,000 increase in employment over the year was almost equally split between people in education (6,000 increase) and those not (5,000). The not in employment, education, or training (NEET) rate fell from 8.8 percent in March to 7.4 percent. The unemployment rate among 20-24 year olds was 10.9 percent, down from 12.2 percent in the March quarter and 11.5 percent a year before, again in seasonally adjusted terms. The NEET rate was 14.5 percent, down from 14.7 percent in the previous quarter but up from the 14.1 percent in September 2013, and down from 15.9 percent a year ago. There were 71,000 people aged 15-24 years who were not in employment, education, or training (NEET), which is 11.1 percent of people in that age group, down from 11.9 percent in March and 12.1 percent a year before.

- ★ The Ministry of Social Development reports that at the end of September 2014 there were 123,133 working age people on the Jobseeker benefit, a rise of 2,002 from 121,131 in June 2014 and a fall of 3,337 from September 2013. Of those at September 2014, 66,754 were classified as 'Work Ready', and 56,379 were classified as 'Health Condition or Disability'. A total of 294,321 were on 'main' benefits, 735 more than June 2014 and 10,073 fewer than September 2013. It was 32,490 fewer than in September 2008. The MSD comments: "Changes in benefit numbers over this period largely reflect changes in economic conditions."

- ★ Job Vacancies Online showed a seasonally adjusted fall in skilled job vacancies of 0.6 percent in September after a rise of 1.9 percent in August. All job vacancies rose by 2.5 percent in September, after a rise of 0.4 percent in August. In the year to September, skilled vacancies rose 8.5 percent. All vacancies rose by 12.1 percent.

- ★ International Travel and Migration data showed 9,550 permanent and long-term arrivals to New Zealand in September 2014 and 4,880 departures in seasonally adjusted terms, a net gain of 4,670. There was an actual net gain of 45,414 migrants in the year to September. Net migration to Australia in the year to September was 5,986 departures, with 22,596 departures and 28,582 arrivals. For the month of September, the seasonally adjusted net loss to Australia was 280 compared to 840 a year before.

Wages and prices



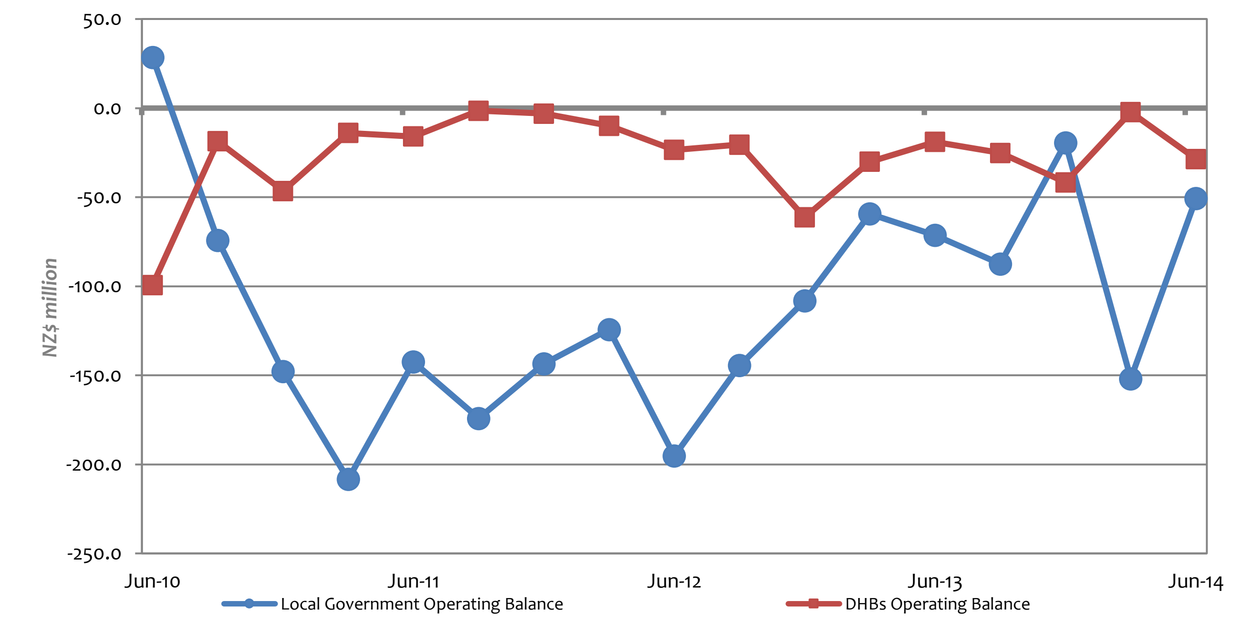
- The Labour Cost Index (LCI) for salary and ordinary time wage rates rose 0.5 percent in the three months to June 2014. The LCI increased 1.6 percent in the year to June, the same as the CPI. It increased 0.3 percent in the public sector and 0.6 percent in the private sector in the three months to June. Over the year to June it rose 1.2 percent in the public sector and 1.8 percent in the private sector. During the year, 43 percent of jobs surveyed did not receive a pay rise. For the 57 percent of those surveyed who received an increase in their salary or wage rate during the year, the median increase was 2.4 percent and the average increase was 3.1 percent. The median increase in the public sector was 2.0 percent and in the private sector 2.5 percent.

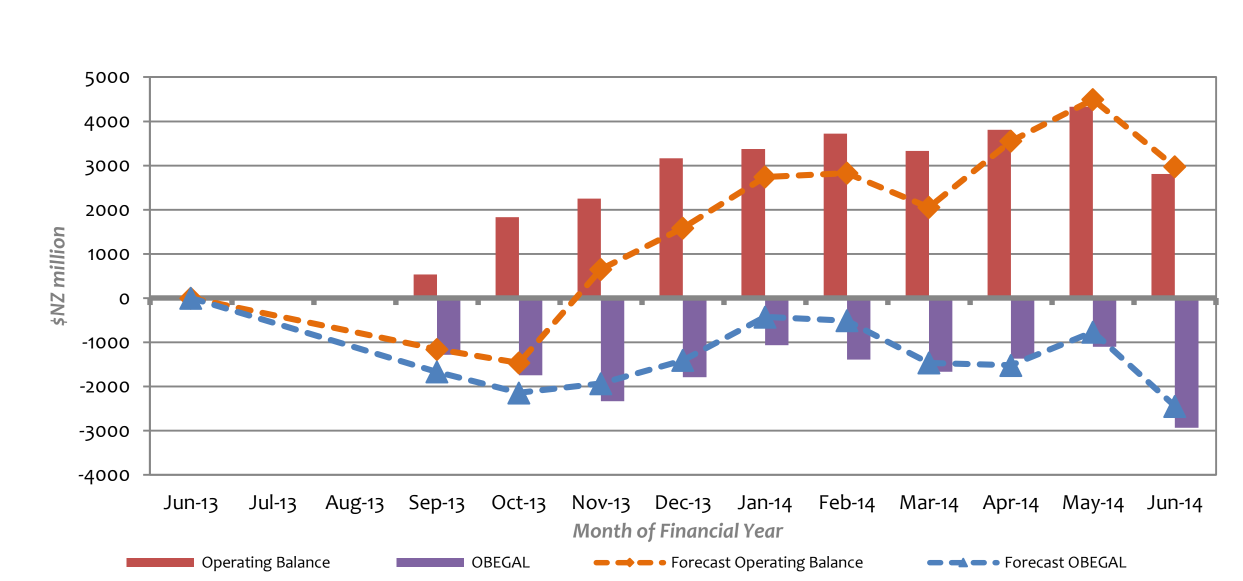
- The Quarterly Employment Survey for the three months to June 2014 found the average hourly wage for ordinary-time work was $28.23, up 0.2 percent on the March quarter and up 2.5 percent over the year. The average ordinary-time wage was $26.29 in the private sector (up 0.5 percent in the quarter and up 3.1 percent in the year) and $35.28 in the public sector (down 1.6 percent in the quarter and up 1.3 percent in the year). Female workers (at $26.13) earned 12.9 percent less than male workers (at $30.00) for ordinary time hourly earnings.

- ★ The Consumer Price Index rose 0.3 percent in the September 2014 quarter compared with the June 2014 quarter and increased 1.0 percent for the year to September. For the quarter, Housing and household utilities were again the largest influence, rising 1.0 percent and accounting for almost three-quarters (73.4 percent) of the overall increase in CPI. Over the year, 80 percent of the increase came from housing and household utilities which rose 3.4 percent and without which the CPI would have risen only 0.3 percent. Inflation in Canterbury for the year was 1.6 percent compared with 1.1 percent in Wellington and 1.0 percent in Auckland. Housing costs hit particularly hard in Canterbury, rising 4.9 percent for the year compared to 3.0 to 3.7 percent elsewhere.

- ★ The Food Price Index fell by 0.8 percent in the month of September 2014, following a 0.3 percent rise in August. Food prices fell 0.1 percent in the year to September 2014. Compared with August, fruit and vegetable prices fell 6.5 percent; meat, poultry, and fish prices rose 1.2 percent; grocery food prices fell 0.2 percent; non-alcoholic beverages rose 0.6 percent; and restaurant meals and ready-to-eat food rose 0.1 percent.

Public Sector





★ According to Treasury's [Financial Statements of the Government of New Zealand] for the year ended June 2014, core Crown tax revenue was $422 million or 0.7 percent lower than forecast in the May 2014 Budget Economic and Fiscal Update (BEFU), and $919 million or 1.5 percent behind the 2013 Budget forecast, where the revenue and expenses were set. Expenses were $149 million (0.2 percent) below the 2014 forecast and 1.2 percent or $900 million below the 2013 forecast. Net debt at 26.2 percent of GDP ($59.9 billion) was $510 million higher than the $59.4 billion forecast in 2014 but $4.8 billion below the 2013 forecast of $64.8 billion. The Operating Balance before Gains and Losses (OBEGAL) excluding minority interests such as partially owned companies was a $2.9 billion deficit, $486 million higher (worse) than the 2014 forecast and $900 million higher than the 2013 forecast. The Operating Balance was a $2,808 million surplus compared to a 2014 forecast surplus of $2,973 million and 2013 forecast of $358 million.

- District Health Boards recorded combined deficits of $13.7 million for the month to July 2014. This is $150,000 worse than their plans. The Northern region was $0.2 million ahead of plan with a surplus of $1.5 million dominated by a $1.8 million surplus at Auckland offset by deficits in Counties Manukau and Waitemata, the Midland region was $0.5 million ahead of plan with a combined deficit of $2.2 million and all DHBs in deficit, Central region was $0.6 million behind plan and all in deficit totalling $3.9 million, and the Southern Region was $0.2 million behind plan with a $5.7 million deficit and three of the five DHBs in deficit. The DHB furthest ahead of plan was Nelson Marlborough by $0.6 million, and Southern was furthest behind, by $0.5 million.
- Local Government recorded a 6.1 percent ($120.3 million) rise in operating income and a 0.9 percent rise in operating expenses ($18.9 million) including an increase of 3.9 percent ($17.9 million) in employee costs for the June 2014 quarter compared to March. This resulted in an operating deficit of $50.6 million in the June quarter, compared with a deficit of $151.9 million in the March quarter, and deficits in all the last 26 quarters back to March 2008 with the exception of June 2010, all in seasonally adjusted terms. Note that the March quarter results are provisional and all previous figures have been revised.

Notes

1 For the Performance of Manufacturing Index (PMI) and Performance of Services Index (PSI) a figure under 50 shows the sector is contracting; above 50 shows that it is growing. Previous month's figures are often revised and may differ from those published in a previous Bulletin.

This bulletin is available online at http://www.union.org.nz/economicbulletin162.

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