



NEW ZEALAND COUNCIL OF TRADE UNIONS

*Te Kauae Kaimahi*

# CTU Monthly Economic Bulletin

No. 182 (September 2016)

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## **Commentary**

### **Has unemployment really fallen that much?**

#### **Summary**

Some of our most important labour statistics such as on unemployment are measured by Statistics New Zealand in a three-monthly survey of 16,000 households, the Household Labour Force Survey (HLFS).

A review of the HLFS took effect from June. Among other things the changes lowered the measured unemployment rate from 5.7 percent to 5.2 percent in the March quarter, found many more self-employed, included the defence forces in the employment count for the first time, and introduced new information on union membership, types of employment agreements, nature of employment relationships and job tenure.

The apparent fall in unemployment is due to a change in definition. In one way it is sensible – it tries to put looking at internet job advertisements on an equal basis to reading ones in newspapers. They are not counted as “actively seeking work” and the person is not counted as officially unemployed if that is the only way they are looking for work. But we are concerned the change might have missed a lot of things that can be done on internet job sites that would mean people are actually actively seeking work. The change needs to be monitored.

While it is tougher to be classified as “unemployed”, there is a new measure called “underutilisation” which includes people looking for work but not officially unemployed, plus people in part time work who want more hours. Only about a third of the 342,000 people classed as “underutilised” are officially unemployed, and without them the underutilisation rate has barely changed since 2010.

Employment appeared to rise steeply (by 58,000) in June compared to March. But a lot of this is due to changes in the way it is measured. It now includes 7,000 to 10,000 Defence Force personnel for example, and is counting more people as self-employed. It is not valid to compare June employment figures with previous months.

There are new survey questions on membership of unions and collective employment agreements, on employment relationships (permanent, casual, fixed term, temp agency or seasonal) and job tenure (which suggests tenure is reducing). All will give new information on aspects of working life that have not been readily available.

Some of our most important labour statistics such as on unemployment are measured by Statistics New Zealand in a three-monthly survey of 16,000 households, the Household Labour Force Survey (HLFS). As noted [last month](#), a review of the HLFS took effect from the June quarter. Among other things the changes lowered the measured unemployment rate from 5.7 percent to 5.2 percent in the March quarter, found many more self-employed, included the defence forces in the employment count for the

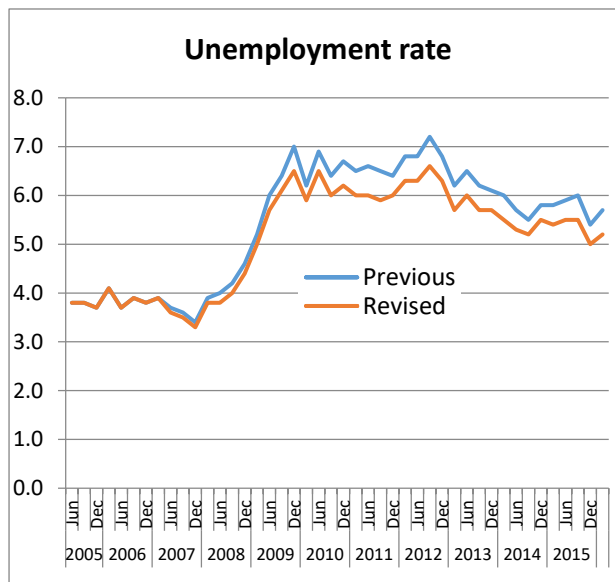
first time, and introduced new information on union membership, types of employment agreements, nature of employment relationships (permanent, casual etc), and job tenure.

Some of it was therefore controversial, but there was also a lot to be welcomed. Here’s a deeper look.

## Unemployment

Prior to the review, the number of people reported unemployed by Statistics New Zealand in the three months to March 2016 was 144,000 or 5.7 percent of the labour force (people either employed or officially unemployed) in seasonally adjusted terms. The review reduced this to 132,000 or 5.2 percent, a substantial fall. Statistics New Zealand has revised the numbers back to 2007. It considers the changes would make little difference before that. The effect is to lower the number of unemployed, the size of the labour force, and the labour force participation rate (the labour force as a proportion of the working age population) over that period.

As a result, it shows unemployment reached a low of 3.3 percent in December 2007. Treasury has lowered its view of where unemployment should be from 4.5 percent to 4.0 percent<sup>1</sup>.



Why the fall?

The definition of “unemployed” requires that the person must be actively seeking work and available to work at the time (the “reference week”) of the survey. If they are out of work but not sufficiently “actively” seeking work, or if they are not available that week (perhaps because they are ill or a student who has not finished their studies) they are classified as “not in the labour force” and not officially unemployed. We’ll return to these people below.

What Statistics New Zealand changed was its definition of what it means to “actively seek work”. Previously, just reading newspaper situations vacant was not considered enough: people had to be doing something else. The international standard on this comes from the International Labour Organisation (ILO) which (rather antiquely) describes those “other” steps in the box to the right. Statistics New Zealand was trying to update the definition to take account of new media. Previously Statistics New Zealand classified looking at internet job vacancies as “other” and so people doing that were classified as unemployed. They are

### Additional steps required to be classified as “actively seeking work”

The specific steps may include registration at a public or private employment exchange; application to employers; checking at worksites, farms, factory gates, market or other assembly places; placing or answering newspaper advertisements; seeking assistance of friends or relatives; looking for land, building, machinery or equipment to establish own enterprise; arranging for financial resources; applying for permits and licences, etc.

*Resolution concerning statistics of the economically active population, employment, unemployment and underemployment, adopted by the Thirteenth International Conference of Labour Statisticians (October 1982), paragraph 10(1)(c).*

<sup>1</sup> Monthly Economic Indicators – July 2016, p.9, available at <http://www.treasury.govt.nz/economy/mei/jul16>

now, with some justification, saying that looking at internet job vacancies is no more “active” than looking at them in a newspaper, so they have reclassified many of those people as not “actively seeking” employment and so are no longer officially unemployed.

We have concerns that the situation is not that simple. Internet job advertising is not always the same as newspaper advertising. People can register their ‘profiles’ on Seek, LinkedIn and similar job sites, they can upload their CVs and open them up for employers to look through. They can be sent advertisements for jobs that the site considers match their CV. They can have online ‘friends’ who can alert them to jobs and they can search employer web sites for jobs directly, in some cases being able to upload their CV and apply for jobs. They can get online careers advice and help with writing CVs. All of these could be interpreted as being very similar to registering at employment agencies or exchanges, checking at worksites, placing one’s own advertisement asking for work, seeking the assistance of friends, and so on. As with many things, the internet can do much more than its conventional (print) predecessor. So we asked Statistics New Zealand if their questioning of survey participants would bring out these kinds of activities. We have been assured they are aware of the issue and will keep it under review. It requires careful monitoring.

Statistics New Zealand said it made the change to bring New Zealand closer to the ILO international standard. They may have done, but a problem is that many countries are not interpreting the standards the same way. In the European Union (including, for now, the U.K.), which makes up the majority of countries in the OECD, the questions are much more general, allowing more people to be classified as ‘unemployed’. In the U.K. they classified are “ILO unemployed” if during the last four weeks they were looking for paid work or they were looking for a place on a Government scheme or waiting to take up a job or business, and can start work within two weeks. So the change does not make us more comparable to many other OECD countries – if anything less so.

### **Underutilisation**

Statistics New Zealand point out that even though it has got tougher to be classed as officially “unemployed”, the review introduced a new series giving more detail on the status of people out of work, or with less work than they wanted. Despite the rather dehumanised name of “underutilisation” it raises the profile of those wanting work. There is a useful brief report on their first release of this information, *Underutilisation in the June 2016 quarter*<sup>1</sup>, which shows how it affects Māori and Pacific peoples (worse), different age groups (younger means higher underutilisation), and people with different qualifications (higher for lower qualifications). It shows us at 14<sup>th</sup> in the OECD, a little below the OECD average – to the extent you can believe such comparisons. Comparisons between Auckland, Wellington and Canterbury are also available (it is highest in Auckland though not as high as the national rate, suggesting there could be higher rates outside the main centres).

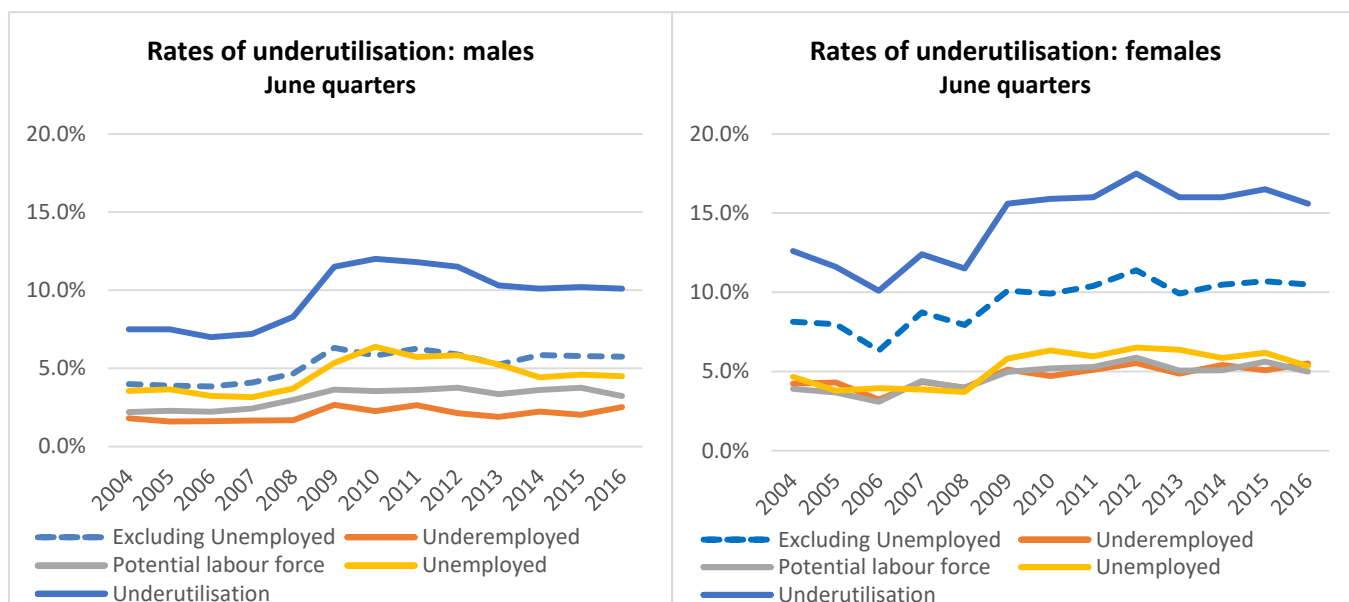
Underutilisation has several components: people looking for work but not officially unemployed either because they are not looking as “actively” for work as the official definition requires (including those discouraged from looking), or who may be actively looking but not available in the week of the survey; people who are working part time but want more work; and those who are officially unemployed. In June there were 342,000 people who were “underutilised”. Of them, 126,300 were officially

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<sup>1</sup> Available at [http://www.stats.govt.nz/browse\\_for\\_stats/income-and-work/employment\\_and\\_unemployment/improving-labour-market-statistics/underutilisation-in-jun-16-qtr.aspx](http://www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/improving-labour-market-statistics/underutilisation-in-jun-16-qtr.aspx)

unemployed. A further 93,100 were available but not sufficiently “actively seeking” work; 16,400 were looking for work but not immediately available (these last two groups are called the “potential labour force”). Finally 106,300 were working part time but wanted more work (“underemployed”). So the officially unemployed make up only about a third of those wanting work, and one in eight (12.7 percent) of the people in work or looking for work (the “extended labour force”) are underutilised.

The graphs below show the rates of the various components of underutilisation for males and females separately since 2004 (when the series begins). The first obvious difference is that underutilisation is much higher for women: in June, the underutilisation rate was 15.6 percent for women and 10.1 percent for men (compared to 12.7 percent for both together). Though the official unemployment rate for women was higher, the biggest difference was in underemployment – 5.5 percent for women, 2.5 percent for men – which is perhaps not surprising given that part time work is dominated by women. But a greater proportion of women were also looking for work though not officially unemployed: 5.0 percent compared to 3.2 percent for men (the “potential labour force” rate).



It is also notable that while the official unemployment rate (the gold line in the graphs) has fallen since 2010, especially for men, stripping that out of the underutilisation rate leaves lines that have been very flat (the dashed blue lines): there is little improvement other than in the official unemployment rate which itself is still too high. The proportion of people looking for work but not recognised as ‘unemployed’ is little changed since the first peak in unemployment in 2010.

### Employment

There appeared to be a very large increase in employment in the June quarter – on paper, 58,000 people, which the Government promptly claimed as proof of how well things were going. However there are several changes as a result of the review which mean it is not valid to make the comparison between June 2016 and previous quarters. Firstly, Defence force personnel have never previously been included in these statistics, but were added in the June quarter, an additional 7,000 to 10,000 people.

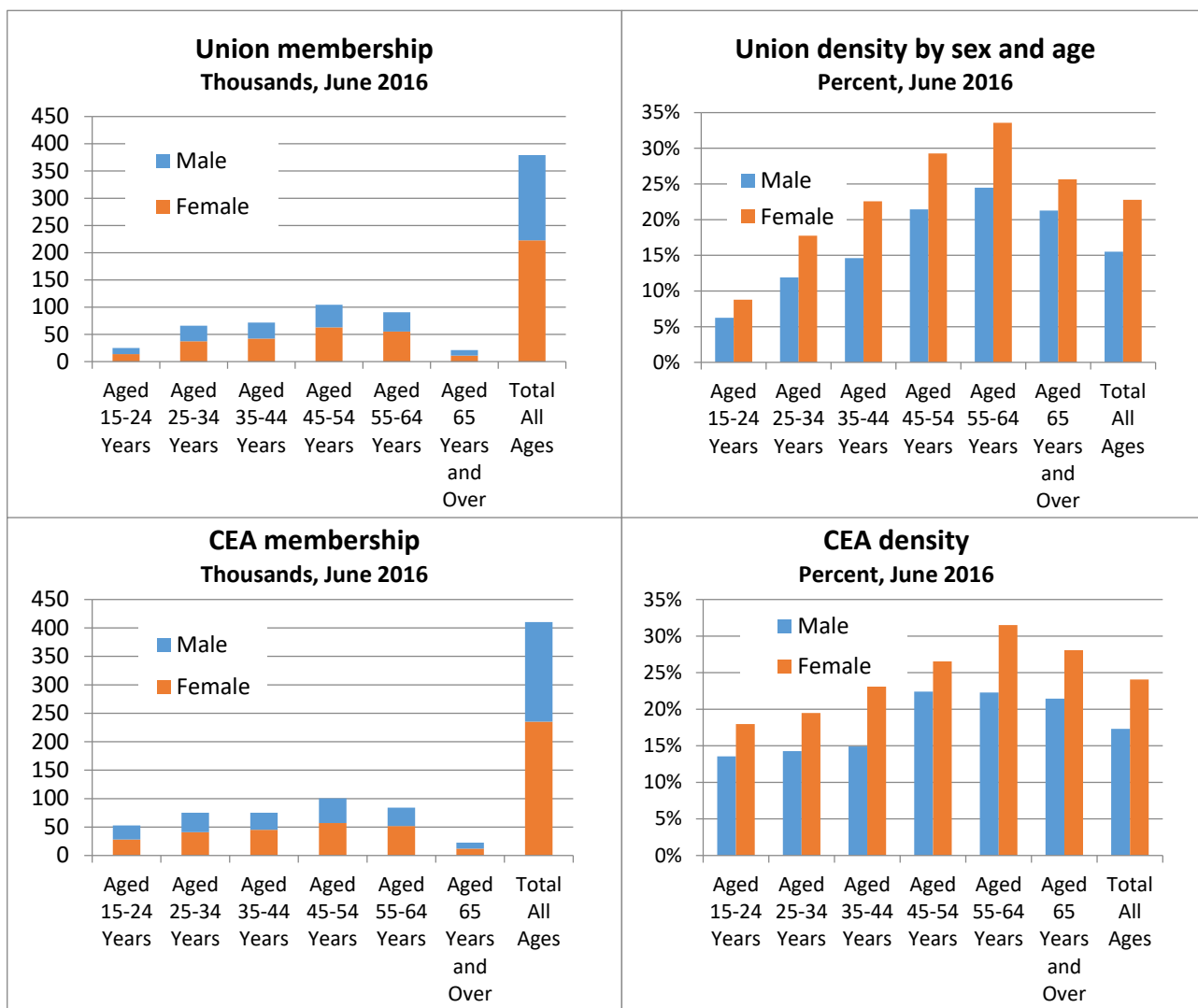
Other changes to the survey have increased the number of people who are classified as self-employed instead of ‘not in the labour force’ (retired people doing some driving for Uber for example). Some self-employed were wrongly categorised as employees because they said they paid themselves wages or

salaries, so the increase in self-employed is partially offset by a fall in employee numbers. The proportion of self-employed in the labour force appeared to jump from 14.3 percent to 18.9 percent between June 2015 and June 2016 whereas it had been falling since 2000.

These changes alone added considerably to the employment count without anyone finding a new job. They have also led to a jump in hours worked. Comparisons between future quarters will have meaning, but beware comparisons of employment and hours before and after June 2016 using the HLF5. Statistics New Zealand's failure to provide an overlap period for the old and new series to allow us to judge the size of these effects is a significant one that will be regretted.

### Union and collective employment agreement membership

The new survey asks employees if they are in a union and what kind of employment agreement they have. These are a great step forward in our knowledge of these important aspects of employment. While only limited breakdowns are available publicly (by sex and age), we are hopeful some friendly researchers will dig deeper into other factors such as industry, wage level, region, qualification and occupation. It will also give us a more dynamic picture of changes with time. A summary of the [results for the June quarter](#) are in the Information section. See also the following graphs.



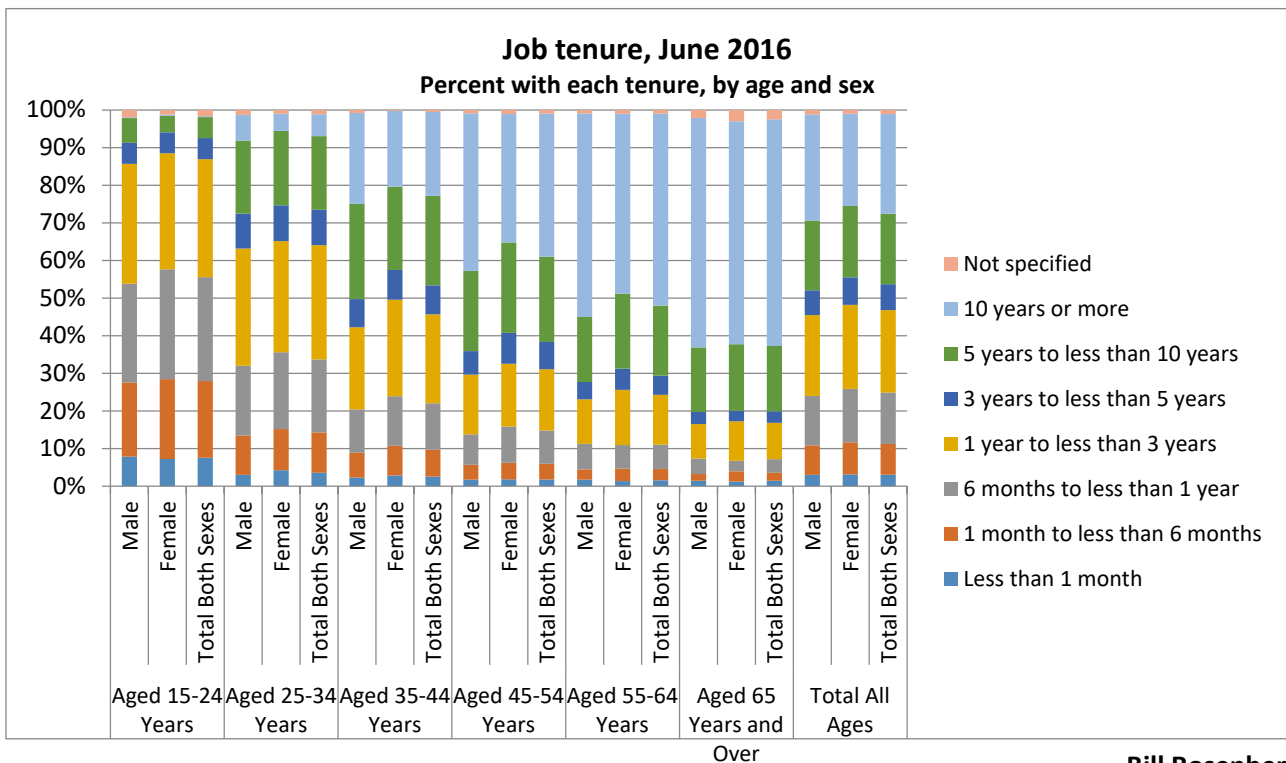
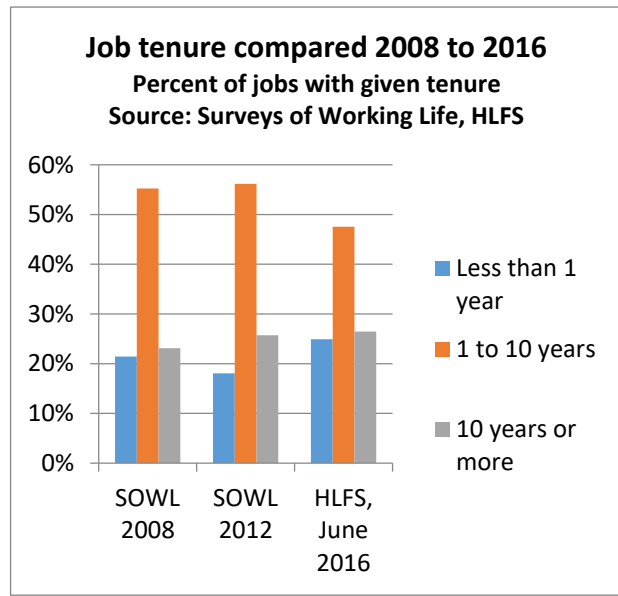
## Employment relationship and job tenure

Also new in the survey is the type of employment relationship: permanent, casual, fixed term, seasonal or temporary agency. These could be either full or part time positions. The results are summarised in the Information section [below](#). Better knowledge of these relationships is important in monitoring how precarious work in New Zealand has become, and having a continuing series will be very valuable. What some might find surprising is the proportion of employees reporting they are in permanent positions – 88.7 percent – but this is little different from the 87.6 percent the Survey of Working Life found in December 2012.

A further question in the survey asks how long the person has been in their current job – job tenure. The graph below summarises the position in the June quarter. However, as we reported in the CTU publication on insecure work, [Under Pressure](#) (p.12) administrative data (the Linked Employer-Employee Data) showed much shorter tenures than the Survey of Working Life which was a household survey built on the HLF5. So this survey is not the final word on the subject.

The graph to the right compares job tenure between the Surveys of Working Life (SOWLs) in March 2008 and December 2012 with the June

2016 values. In June there were more people who had been in their job for less than a year, fewer who had been in their jobs for at least one year but less than 10 years, and slightly more who had been their jobs for 10 years or more. On the whole it suggests shortening tenure, though seasonality could affect it.



Bill Rosenberg

# Information

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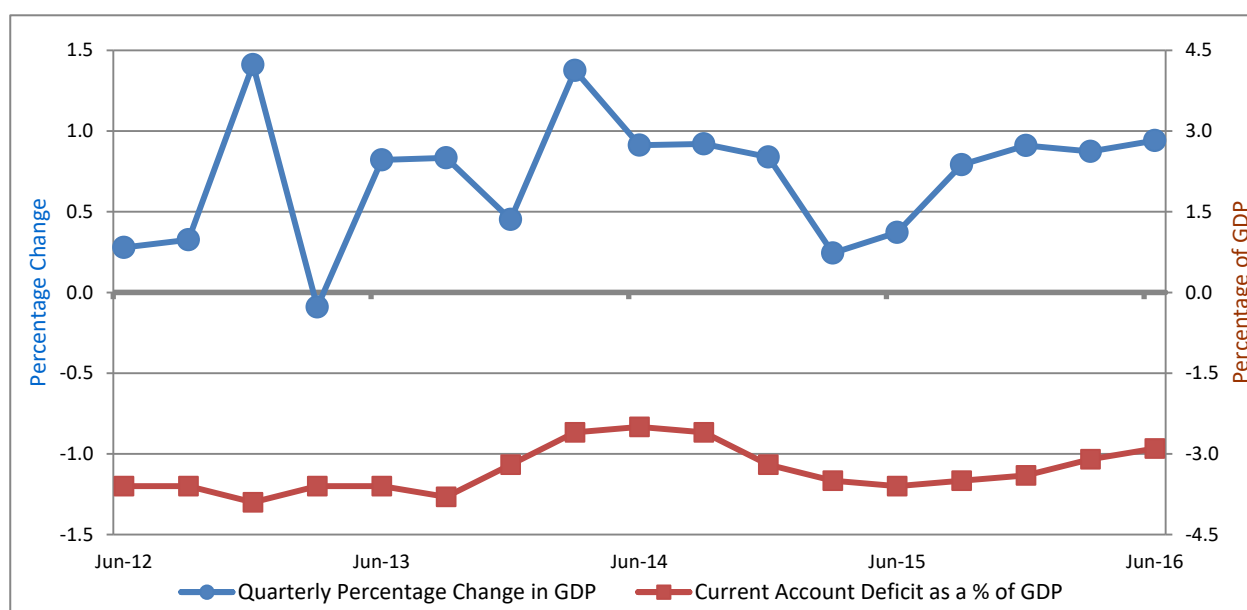
A ★ indicates information that has been updated since the last bulletin.

## Forecast

★ This [NZIER consensus forecast](#) was released on 12 September 2016.

| Annual Percentage Change (March Year) | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---------------------------------------|---------|---------|---------|---------|
| GDP                                   | 3.2     | 3.0     | 2.5     | 2.3     |
| CPI                                   | 1.1     | 1.8     | 1.9     | 1.9     |
| Private Sector average wage           | 2.2     | 2.5     | 2.8     | 2.6     |
| Employment                            | 3.2     | 2.2     | 1.7     | 1.4     |
| Unemployment rate                     | 5.0     | 4.7     | 4.8     | 4.9     |

## Economy



- ★ Growth in New Zealand's economy continued steadily in the June 2016 quarter, with [Gross Domestic Product](#) rising by 0.9 percent, compared to a revised 0.9 percent in both the March 2016 and December 2015 quarters. Average growth for the year ended June 2016 was 2.8 percent (and 3.6 percent increase between June quarters). However GDP is barely keeping up with the rapidly growing population: GDP per person grew only 0.5 percent in the June quarter, and 0.7 percent over the year. Real gross national disposable income per capita, which takes into account the income that goes to overseas investors and the falling prices for some of our main exports, fell by 0.1 percent over the June quarter and rose only 0.5 percent over the year to June. I estimate<sup>1</sup> that production per hour worked in the economy fell by 0.9 percent compared to the same period last year and fell 0.4 percent in the June quarter, indicating falling productivity which is bad for future wage growth. Business investment growth in the three months (1.7 percent) was similar to the March quarter (1.8 percent) though slower than GDP growth compared to the same quarter last year (3.3 percent). Investment in housing rocketed 6.0 percent in the quarter and 14.5 percent from the same quarter last year. Household consumption growth was also strong, rising 1.9 percent in the quarter compared to 0.4 percent in the previous quarter and strong for the year, up 3.9 percent. Inflation is stronger in the economy as a whole than CPI with the GDP deflator (a price index for expenditure on the economy's production) rising 0.9 percent in the June quarter and 1.5 percent in the March quarter after six months fall, with a total rise of 1.3 percent for the year.
- ★ By industry, the growth in the latest quarter was mainly due to strong growth in Construction (up 5.0 percent) and Rental, hiring, and real estate services (up 1.3 percent) which together contributed 0.5 of the 0.9 percentage points rise in the quarter. However the influence of housing showed up boosting other areas of the economy such as in Non-metallic Mineral Product Manufacturing (up 11.3 percent) which includes glass, cement and concrete and other construction materials, and Furniture and other manufacturing (up 18.2 percent after falling 11.9 percent in the previous quarter). Increases in other industries were led by Retail Trade and Accommodation (up 1.9 percent), Arts, Recreation and Other Services (up 1.8 percent), and Agriculture, Forestry and Fishing (up 1.4 percent). However there were strong falls during the quarter in Mining (down 2.5 percent), and Public Administration and Safety (down 1.2 percent), while Electricity, Gas, Water and Waste Services; Transport, Postal, and Warehousing; and Information Media and Telecommunications each fell 0.3 percent. Manufacturing activity rose by a relatively moderate 0.8 percent in the quarter (and 2.1 percent in the year) led by a recovery in the largest sector Food, Beverage and Tobacco Manufacturing which rose 1.3 percent after falling for six months, Printing (up 5.8 percent), and Metal Product manufacturing (up 2.8 percent) in addition to the subsectors above. Offsetting those were Textile, Leather, Clothing and Footwear manufacturing (down 5.2 percent), Petroleum, Chemical, Polymer and Rubber Product manufacturing (down 3.6 percent) and Transport Equipment, Machinery and Equipment manufacturing (down 2.2 percent).
- ★ New Zealand recorded a [Current Account](#) deficit of \$1.8 billion in seasonally adjusted terms for the June 2016 quarter (but an actual deficit of \$0.9 billion) following a revised \$1.6 billion deficit for the

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<sup>1</sup> Because of the changes to the Household Labour Force Survey, there is a break in the hours-worked series in June. I estimated the increase for June using the historical relationship with hours paid from the more limited Quarterly Employment Survey.

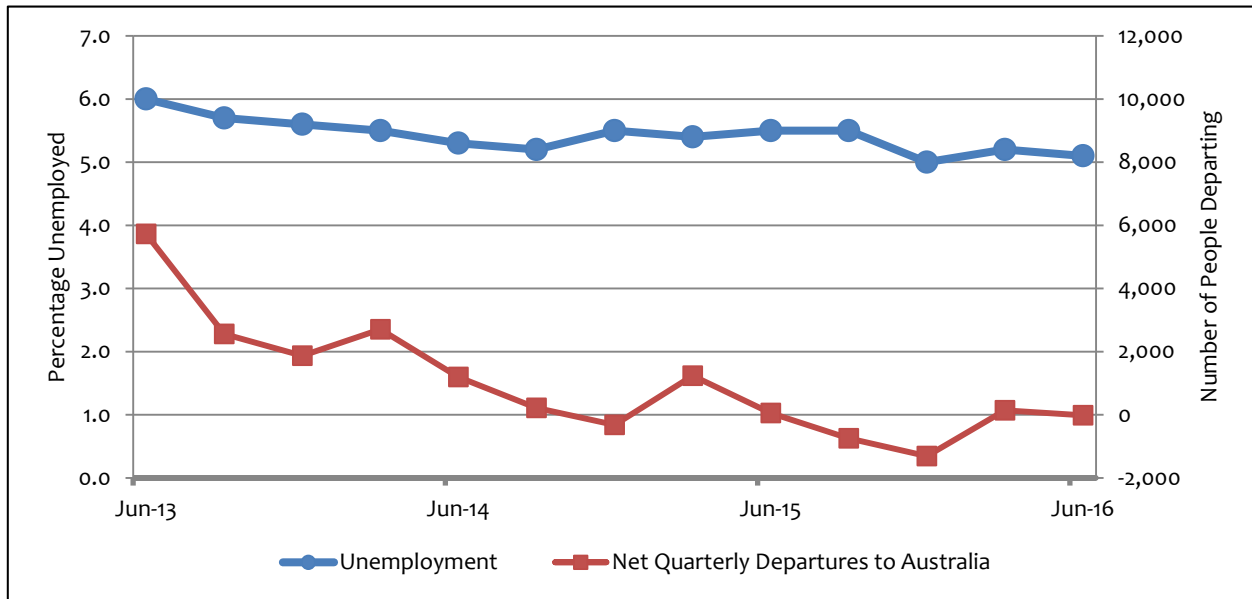


March 2016 quarter. There was another deficit in the goods trade (\$452 million, seasonally adjusted, following a \$523 million deficit in the March quarter) and a surplus of \$582 million in goods and services (\$655 million in March), while the deficit on primary income (mainly payments to overseas investors) rose to \$2.0 billion from \$1.9 billion in March (not seasonally adjusted). For the year to June 2016, the current account deficit was \$7.4 billion or 2.9 percent of GDP compared to a \$7.8 billion deficit in the year to March (3.1 percent of GDP). The deficit on investment income was \$8.6 billion for the year. During the year to March, foreign direct investors (those with a degree of control of the companies they hold shares in) were paid dividends at the rate of 10.6 percent after tax, compared to 11.8 percent the year before. By comparison they received a rate of return of only 2.6 percent after tax on debt owed to them by their companies. Portfolio investors received returns of 4.2 percent on shares and 2.0 percent on debt.

- ★ The country's [Net International Liabilities](#) were \$163.3 billion at the end of June 2016, up from \$159.0 billion at the end of March and \$149.4 billion a year before. The June net liabilities were equivalent to 64.9 percent of GDP, compared to 63.9 percent in March and 61.8 percent a year before. They would take 2.31 years of goods and services exports to pay off, up from 2.20 years a year before. The rise in liabilities was due to a \$1.5 billion net inflow of investment adding to \$2.8 billion in market value changes (led by a \$3.4 billion change in market price) without which the net liabilities would have been \$160.5 billion. New Zealand's international debt was \$296.0 billion (117.6 percent of GDP), of which 28.9 percent is due within 12 months, compared to \$151.3 billion in financial assets (other than shares; 60.1 percent of GDP), leaving a net debt of \$144.6 billion (57.4 percent of GDP). Of the net debt, \$11.2 billion was owed by the government including the Reserve Bank (equivalent to 4.4 percent of GDP and down from \$11.6 billion in March) and \$102.3 billion by the banks (40.6 percent of GDP), which owed \$159.8 billion gross. The banks owed \$74.7 billion to related parties, excluding derivatives. Total insurance claims owed by overseas reinsurers from the Canterbury earthquakes are estimated at \$20.2 billion, and at 30 June 2016, \$19.1 billion of these claims had been settled, leaving \$1.1 billion outstanding.
- ★ [Overseas Merchandise Trade](#) for the month of August saw exports of goods fall 8.7 percent from the same month last year while imports fell 3.1 percent. This created a trade deficit for the month of \$1,265 million or 37.3 percent of exports. There was a trade deficit for the year of \$3.1 billion. In seasonally adjusted terms, exports fell 8.6 percent or \$360 million over the month (compared to a 1.8 percent rise the previous month) led by falls in Dairy products (down 11.7 percent or \$112 million), Mechanical machinery and equipment (down 13.6 percent or \$19 million) and Aluminium and aluminium articles (not seasonally adjusted, down 4.4 percent or \$4 million) offset by rises in Crude oil (not seasonally adjusted, up 68.2 percent or \$37 million), Logs, wood and wood articles (up 8.7 percent or \$31 million) and Wine (up 7.3 percent or \$9 million). Seasonally adjusted imports fell 3.0 percent or \$130 million over the previous month, creating a trade deficit of \$435 million compared to a \$205 million deficit in the previous month. Import falls were led by Petroleum and products (not seasonally adjusted, down 21.4 percent or \$81 million), offset by rises in Mechanical machinery and equipment (not seasonally adjusted, up 20.2 percent or \$111 million), Plastic and plastic articles (up 9.0 percent or \$14 million), Textiles and textile articles (not seasonally adjusted, up 6.3 percent or \$13 million) and Electrical machinery and equipment (up 4.5 percent or \$15 million).

- ★ The [Performance of Manufacturing Index](#)<sup>1</sup> for August 2016 was 55.1, a fall from 55.5 in the previous month. The employment sub-index was at 47.4, a fall from 54.4 in the previous month.
- ★ The [Performance of Services Index](#)<sup>1</sup> for August 2016 was 57.9, a rise from 54.5 in the previous month. The employment sub-index rose to 54.3 from 53.8 in the previous month.
- The [Retail Trade Survey](#) for the three months to June 2016 showed retail sales rose 6.0 percent by volume and 5.5 percent by value compared with the same quarter a year ago. They rose 2.3 percent by volume and 2.2 percent by value in the quarter, seasonally adjusted. By value the fastest rises were in Non-store and commission retailing (which includes internet purchases) which was up 6.9 percent, Hardware, building, and garden supplies (up 5.9 percent), Pharmaceutical and other store-based retailing (up 4.9 percent), Food and Beverage services (up 3.6 percent), and Furniture, floor coverings, houseware, textiles (up 3.4 percent). There were falls in Recreational goods (down 2.9 percent), Accommodation (down 2.1 percent) and Fuel (down 0.7 percent). Supermarket and grocery stores, the largest single sector, rose 1.2 percent by value (up \$53 million).
- ★ On 22 September 2016 the Reserve Bank left the [Official Cash Rate \(OCR\)](#) at its record low of 2.00 percent, having reduced it from 2.25 percent in August. However it continued to signal the likelihood of further reductions to raise inflation to its target of around 2 percent. The Bank's announcement expressed concerns that global growth remains below trend despite "unprecedented levels of monetary stimulus" with further monetary easing occurring and many economic and political uncertainties. Surplus capacity (meaning high unemployment) remains in many countries as do continuing weak commodity prices. The New Zealand dollar remains too high, which is bad for export and import-competing sectors and along with low global inflation is causing deflation (negative inflation) in tradeable goods and services prices making it difficult for the RBNZ to meet its inflation target. The Governor called for a decline in the exchange rate. Growth in the domestic economy is based on "strong net immigration, construction activity, tourism, and accommodative monetary policy. While dairy prices have firmed since early August, the outlook for the full season remains very uncertain. High net immigration is supporting strong growth in labour supply and limiting wage pressure." House price inflation "remains excessive, posing concerns for financial stability". It expects annual inflation to weaken in the September quarter resulting from lower fuel prices and cuts in ACC levies but to rise from the December quarter. It is worried that expectations of future inflation will decline. The next OCR announcement will be on 10 November which will include a Monetary Policy Statement and will be the last for the year.
- ★ According to [REINZ](#), the national median house price rose \$27,000 or 5.8 percent to \$492,000 in the year to August 2016 and fell \$13,000 (3.0 percent) on the previous month. The Auckland median price rose 13.9 percent or \$102,500 over the year to \$842,500 and 2 percent or \$17,500 on the previous month. Excluding Auckland the national median price rose \$38,750 or 11.1 percent to \$387,250 compared to a year before. It was down \$2,250 or 1% on the previous month. Two regions had record median prices: Auckland, and Nelson/Marlborough (up 12 percent or \$45,000 over the year, to \$430,000). There was a rise of 16.4 percent to 987 in the number of sales in the \$1 million plus range over the year, 4.4 percent (81) in the \$600,000 to \$1 million range. However sales below that price level fell, with those under \$400,000 now only 37.3 percent of sales compared to 40.6 percent a year ago. Total sales were down from 7,766 a year ago to 7,527 in August 2016.

## Employment



Note: the release reported on below of **Household Labour Force Survey** statistics on employment and unemployment reflects a major revision of the survey as from June 2016. The changes include a change to the measurement of unemployment which reduced the reported unemployment rate for March 2016 from 5.7 percent to 5.2 percent, and new statistics on union membership, type of employment agreement (collective or individual), employment type (casual, seasonal, fixed term, temp agency, permanent etc) and job tenure. The changes also mean that some statistics, including numbers employed and hours worked, cannot be accurately compared between June 2016 and previous months. We will report in more detail in a future *Bulletin* commentary.

- According to the [Household Labour Force Survey](#) the unemployment rate in the June 2016 quarter fell to 5.1 percent or 131,000 people, compared to a substantially revised 5.2 percent (see above) in March (132,000 people), seasonally adjusted. It is still more than half as much again than the 3.3 percent it was in December 2007. The unemployed were not the only people looking for work: the new statistics include a measure called “underutilisation” which includes the officially unemployed as above, people looking for work who are not immediately available or have not looked sufficiently actively to be classed as officially unemployed, plus people in part time work who want more hours (“underemployed”). In the June quarter there were a total of 342,000 people looking for work classed as “underutilised”, or 12.7 percent of the labour force extended to include these people. Of them, 106,300 were underemployed, 126,300 were officially unemployed, and 109,500 additional jobless people looking for work (these figures are not seasonally adjusted). The 12.7 percent underutilisation rate is down from 13.2 percent a year before but still considerably higher than in June 2007 when it was 9.7 percent. It is higher for women at 15.6 percent than for men (10.1 percent). Excluding the officially unemployed, the underutilisation rate is 8.0 percent which has changed very little since June 2009 when it was 8.1 percent – it peaked at 8.5 percent in 2012 and troughed at 7.5 percent in 2013. There are 44,800 unemployed people who have been out of work for more than 6 months. This is apparently a sharp increase from the 39,200 a year before but a change in the survey question could have contributed to this. This is 35.5 percent of the

unemployed compared to 29.5 percent a year before, and has not been previously reached in a June quarter since 1996. Those out of work for more than a year is at 16.7 percent of the unemployed compared to 12.1 percent a year before (again possibly affected by the changed survey question). Compared to OECD unemployment rates, New Zealand had 11<sup>th</sup> equal lowest (out of 34 countries), despite the radical change in the measurement of unemployment not a great improvement on 12<sup>th</sup> in March.

- The number recorded as employed rose by 58,000 between the March and June 2016 quarters, but this rise is in part because of changes in the way employment is measured and so is not a true measure of the change in employment. For example, up to 10,000 Defence Force personnel are now included (but formerly were not), and changes in questioning in the survey have led to increased numbers of self-employed being identified (such as Uber drivers), some of whom work very few hours a week. The recorded employment rate accordingly rose sharply from 65.2 percent to 66.2 percent over the three months. Similarly the participation rate (the proportion of the working age population either in jobs or officially unemployed) rose sharply from 68.8 percent to 69.7 percent, all in seasonally adjusted terms. These changes also led to a huge recorded increase of 5.7 percent in hours worked over a year before – again not a true measure of increased work.
- In the North Island, unemployment rates have apparently fallen compared to a year ago (though the above change in definition needs to be remembered) including a statistically and economically significant fall in Auckland from 5.9 percent to 4.7 percent. However the majority of North Island regions are still above the national average unemployment rate of 4.9 percent (not seasonally adjusted): Northland still rising at a very high 10.4, Bay of Plenty at 5.1 percent, Gisborne/Hawkes Bay at 5.0 percent, Manawatu-Whanganui at 5.6 percent and Wellington at 5.3 percent. Auckland, Waikato (4.8 percent) and Taranaki (4.8 percent) have unemployment just below the national average. The South Island on the whole looks considerably better, but the unemployment rate is higher than a year ago in all but Southland with Tasman/Nelson/Marlborough/West Coast at 5.9 percent, Canterbury at 3.2 percent, Otago at 4.5 percent and Southland at 5.0 percent.
- By industry, over half of the total 104,900 increase recorded in employment over the year (see the above warnings due to the change in the survey) had the industry “not specified” (58,000). Of the rest, the increase was led by Agriculture, forestry and fishing with 12,700 more employed, Wholesale trade 30,400, Professional, scientific, technical, administrative, and support service 15,100, Public Administration and Safety (which would include newly counted Defence) 16,300, and Education and Training 14,700. However these were offset by falls led by Manufacturing which was down 18,500 workers, Transport, postal and warehousing down 11,700, Information media and telecommunications down 5,900, and Construction down 4,000.
- The seasonally adjusted female unemployment rate at 5.4 percent was higher than for men (4.7 percent), but both fell from the previous quarter (5.7 percent and 4.8 percent respectively). Māori unemployment fell from 12.2 percent in June 2015 to 11 percent, and Pacific people’s unemployment fell from 10.1 percent to 9.1 percent over the year.
- Youth unemployment for 15-19 years was 18.4 percent in June 2016, down from 22.4 percent in March and 19.6 percent a year before (note that this and the other statistics for the whole youth population are seasonally adjusted, but those for Māori and Pacific Peoples are not). For Māori in June 2016 the unemployment rate was 24.3 percent and for Pacific Peoples it was 32.5 percent. For 20-24 year olds it was 9.3 percent, down from 9.4 percent in March and 10.2 percent a year before.

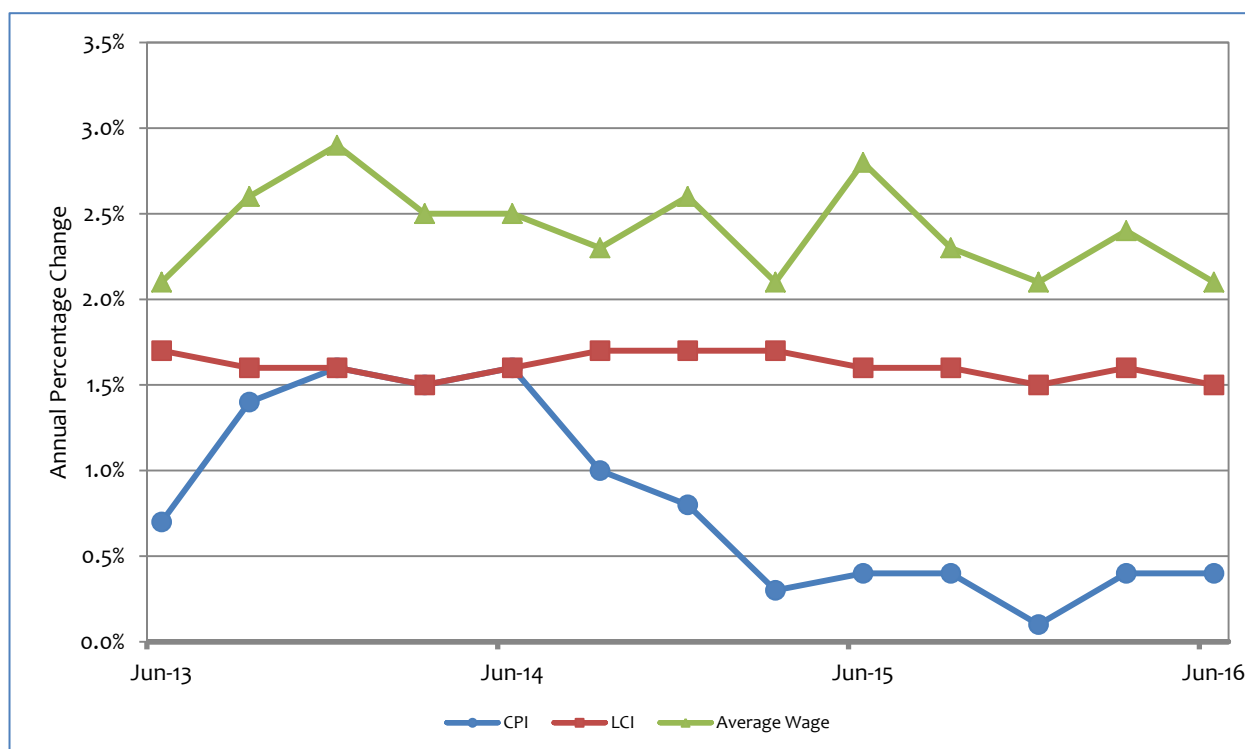
For Māori in June 2016 it was 17.4 percent and for Pacific Peoples it was 12.2 percent. The Not in employment, education, or training (NEET) rate for 15-19 year olds was 6.8 percent, down from 8.8 percent in March and 7.6 percent a year before. For Māori in June 2016 the rate was 11.0 percent and for Pacific Peoples it was also 11.0 percent. For 20-24 year olds the NEET rate was 14.3 percent, down from 15.8 percent in March and 15.2 percent a year before. For Māori in June 2016 the rate was 25.0 percent and for Pacific Peoples it was 20.4 percent. For the whole 15-24 year old group, unemployment was higher for those in education (13.1 percent) than those not in education (12.1 percent). There were 71,000 people aged 15-24 years who were not in employment, education, or training (NEET).

- For the first time the HLFS surveyed **union membership** and having a **collective employment agreement**. In the June 2016 quarter, the results showed total union membership of 379,300, which is 19.1 percent of employees (or slightly higher if those who didn't know were discounted). Among men, the proportion is 15.5 percent (156,700 people), and among women 22.8 percent (222,700 people). Proportions by age are 7.4 percent for 15-25 year olds, 14.6 percent for 25-34 year olds, 18.4 percent for 35-44 year olds, 25.6 percent for 45-54 year olds, 29.3 percent for 55-64 year olds, and 23.3 percent for those 65 or above. Regarding coverage by a collective employment agreement, 20.6 percent of employees said their employment agreement was a collective, 62.9 percent said it was an individual agreement, and 8.6 percent said they had no agreement (which is illegal). A further 7.7 percent didn't know. Coverage by collective agreement was 17.3 percent for men and 24.1 percent for women, but twice the proportion of young people (aged 15-24) reported they were on a collective (15.6 percent) than reported they were union members. In total, 410,300 people said they were on collectives.
- For the first time the HLFS also reported on “**employment relationship**”. In the June 2016 quarter, 88.7 percent of employees (1,762,900) reported they were permanent, 5.4 percent casual (106,400), 3.2 percent fixed term (63,600), 1.6 percent seasonal (31,300), and 0.3 percent employed through a “temporary agency” (6,600). Women were slightly less likely to be permanent employees: they made up 48.4 percent of permanent employees, and 87.3 percent of women were permanent compared to 90.0 percent of men. Instead, women were more likely to be casual (5.9 percent of them compared to 4.8 percent of men) or fixed term (4.2 percent of women compared to 2.3 percent of men). However somewhat more men were in seasonal work than women – 1.7 percent of men (16,900) compared to 1.5 percent of women (14,400). Of the temp agency employees, 3,000 were men and 3,600 women. Women make up 49.1 percent of employees.
- The [Ministry of Social Development](#) reports that at the end of June 2016 there were 117,954 working age people on the Jobseeker benefit, a fall of 118 from a year before but a rise of 820 from 117,134 in March. At June 2016, 64,265 were classified as ‘Work Ready’, and 53,689 were classified as ‘Health Condition or Disability’. A total of 280,177 were on ‘main’ benefits, 5,172 fewer than a year before but 286 higher than March. It was 21,860 more than in June 2008. Of the 51,459 benefits cancelled during the three months to June, 20,253 or 39.4 percent obtained work, 11.0 percent transferred to another benefit and 4.5 percent became full time students.
- ★ [Job Vacancies Online](#) for August 2016 showed the number of job vacancies rose by 3.2 percent in the month and rose 16.2 percent over the same month a year previously in seasonally adjusted terms. Over the year, vacancies in Auckland rose 16.8 percent, Wellington 20.8 percent, rest of the North Island 26.3 percent, South Island other than Canterbury 24.0 percent, while Canterbury fell

2.8 percent. Over the month, vacancies rose in Auckland (5.2 percent), Wellington (2.2 percent), rest of the North Island (1.9 percent), Canterbury (1.3 percent) and the rest of the South Island (6.2 percent). By industry, the greatest annual increases were in Hospitality and tourism (up 21.3 percent), Construction and Engineering (up 17.4 percent), Education and Training (up 15.9 percent) and Sales, retail, marketing and advertising (up 12.8 percent). During the month, Construction and Engineering rose 8.2 percent, followed by Sales, retail, marketing and advertising which rose 3.6 percent, but Education and training fell 7.3 percent. By occupation, the greatest rise over the year was in Machinery drivers (up 32.6 percent), followed by Labourers (up 26.8 percent), Technicians and Trades workers (up 20.9 percent) and Managers (up 19.7 percent). Over the month, vacancies rose in all occupational groups other than Labourers which fell 0.6 percent and Community and Personal Services which was unchanged. All the above are in seasonally adjusted terms.

★ [International Travel and Migration](#) statistics showed 10,300 permanent and long-term arrivals to New Zealand in August 2016 and 4,700 departures in seasonally adjusted terms, a net gain of 5,600. There was an actual net gain of 69,119 migrants in the year to August, the highest ever and easily the highest for an August year. Net migration to Australia in the year to August was 1,759 arrivals, with 23,851 departures and 25,610 arrivals. However there was still a net loss of 3,651 New Zealand citizens to Australia over the year and a net loss of 2,588 to all countries. For the month of August, there was a seasonally adjusted net gain from Australia of 120, compared to a gain of 120 a year before. In August, 14.4 percent of the arrivals had residence visas, 14.3 percent student visas, 33.8 percent work visas, and 5.0 percent visitors. A further 31.7 percent were New Zealand or Australian citizens.

## Wages and prices



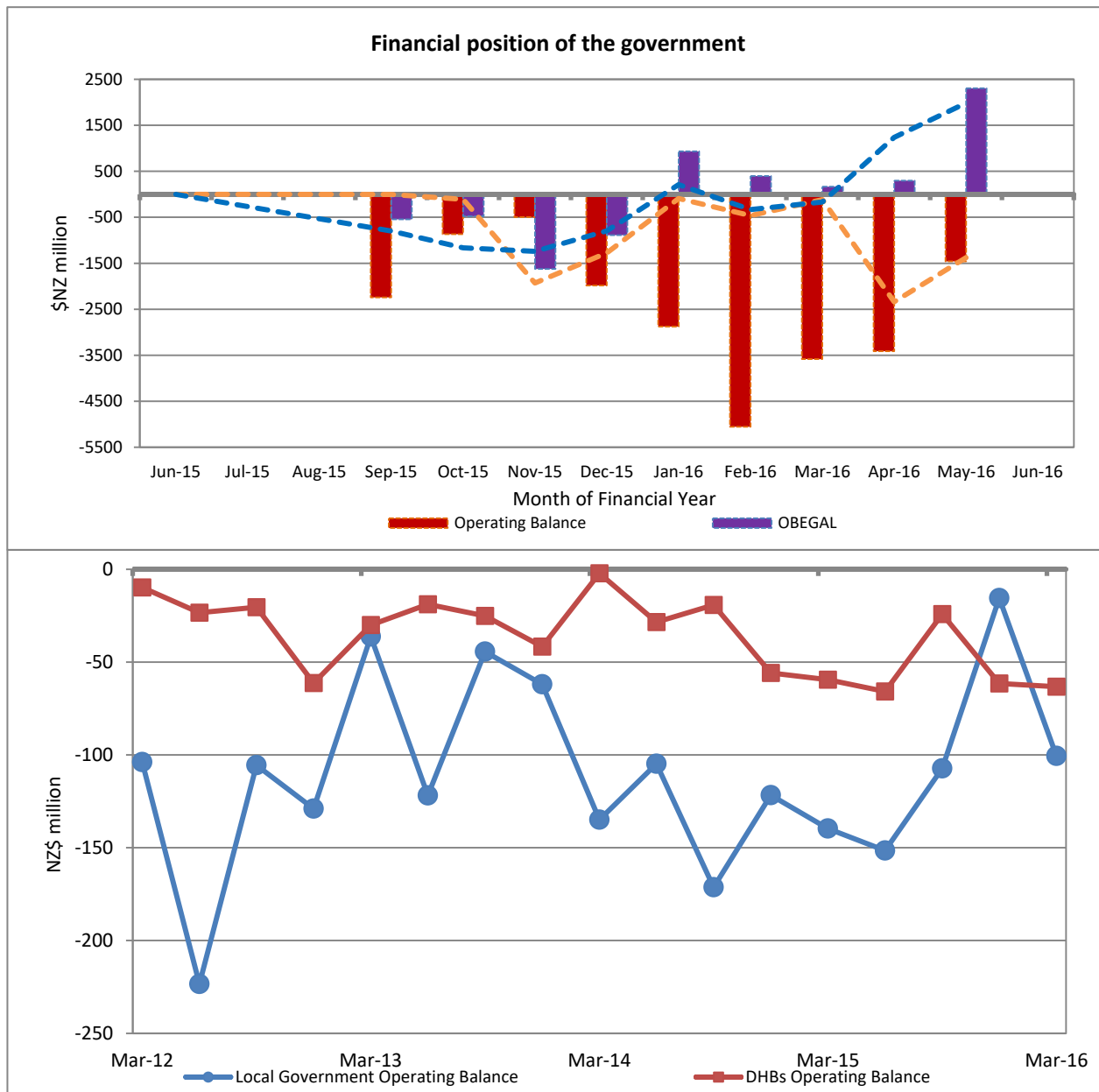
- The [Labour Cost Index](#) (LCI) for salary and ordinary time wage rates rose 0.4 percent in the three months to June 2016 and increased 1.5 percent in the year, ahead of the 0.4 percent increase in the CPI. It increased 0.2 percent in the public sector and 0.4 percent in the private sector in the three

months to June. Over the year it rose 1.3 percent in the public sector and 1.6 percent in the private sector. During the year, 44 percent of jobs surveyed did not receive a pay rise, and 47 percent did not in the private sector. For the 56 percent of those jobs surveyed which received an increase in their salary or wage rate during the year, the median increase was 2.2 percent and the average increase was 3.0 percent. For those jobs that received increases, the median increase in the public sector was 2.0 percent and in the private sector 2.4 percent; the average increase in the public sector was 2.2 percent and in the private sector 3.2 percent. We estimate that jobs on collective employment agreements were 2.2 times as likely to get a pay rise as those who were not, and are more likely to get a pay rise of any size ranging from less than 2 percent to 5 percent but are 20 percent less likely to get one of more than 5 percent. Only 45 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 99 percent of those on a collective got a pay rise. In the construction industry, salary and ordinary time wage rates in Canterbury are rising considerably more slowly than in the rest of the country: 0.3 percent in the quarter in both Canterbury and in the rest of the country; but over the year to June, 1.0 percent in Canterbury compared to 2.1 percent elsewhere. For those getting a rise, Canterbury wage rates rose 3.3 percent in the year compared to 4.0 percent elsewhere.

- The [Quarterly Employment Survey](#) for the three months to June 2016 found the average hourly wage for ordinary-time work was \$29.62, up 0.5 percent on the previous quarter and up 2.1 percent over the year. Female workers (at \$27.37) earned 13.2 percent less than male workers (at \$31.53) for ordinary time hourly earnings. The average ordinary-time wage was \$27.72 in the private sector (up 0.8 percent in the quarter and up 2.1 percent in the year) and \$36.94 in the public sector (*down* 0.8 percent in the quarter and up 3.0 percent in the year). The public sector average wage tends to fall every June quarter and more markedly for women; this has been occurring since about 2002. Perhaps it is because there is a seasonal intake of lower paid staff.
- The [Consumer Price Index](#) rose 0.4 percent in the June 2016 quarter compared with the March quarter, and increased 0.4 percent for the year to June. For the quarter, the largest upward influences were Food (up 0.3 percent but contributing 12.3 percent of the total rise, mainly due to vegetables rising 25.6 percent), Housing and household utilities (up 1.0 percent but contributing 62.7 percent, or almost two-thirds of the rise mainly due to rising rents, up 0.6 percent, the cost of new housing which rose 2.1 percent, and electricity up 1.8 percent), and Transport (up 1.0 percent mainly due to petrol which rose 5.3 percent, but offset by falling costs of new cars, road and domestic air transport). These were offset by falls mainly in Household contents and services (down 1.0 percent mainly due to falling prices of furniture and furnishings), and Recreation and culture (down 0.7 percent mainly due to falls in the costs of Audio-visual and computing equipment). In seasonally adjusted terms, the CPI rose 0.2 percent from March, Food rose 0.2 percent, Alcoholic beverages and tobacco rose 1.0 percent, Clothing and footwear rose 0.6 percent, Housing and household utilities rose 0.8 percent, Communications fell 0.4 percent, Recreation and culture fell 0.3 percent, and Education rose 0.8 percent. Inflation in Canterbury for the year was 0.2 percent and 0.3 percent in the rest of the South Island. In Auckland prices rose 0.4 percent, Wellington 0.3 percent and 0.6 percent in the North Island other than Auckland and Wellington. Auckland's housing costs rose 4.1 percent over the year, the fastest in the country; Wellington's at 2.5 percent and Canterbury's at 2.6 percent rose slowest, with the national average movement of 3.3 percent exceeded only by Auckland.

- ★ The [Food Price Index](#) rose by 1.3 percent in the month of August 2016 (rising 1.2 percent in seasonally adjusted terms). Food prices rose 0.5 percent in the year to August. Compared with the previous month, fruit and vegetable prices rose 5.8 percent (up 1.7 percent seasonally adjusted); meat, poultry, and fish prices rose 0.2 percent; grocery food prices rose 0.7 percent (up 1.2 percent seasonally adjusted); non-alcoholic beverage prices rose 1.8 percent; and restaurant meals and ready-to-eat food prices rose 0.3 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 eleven months ended 31 May 2016, core Crown tax revenue was \$364 million (0.6 percent) higher than forecast in the 2016 Budget Economic and Fiscal Update (BEFU). Customs and excise duties were \$188 million above forecast, PAYE was \$182 million above and GST was \$98 million above, but Corporate tax revenue was \$161 million below forecast, mainly as a result of below-forecast



Portfolio Investment Entity (PIE) tax. Total revenue was \$396 million over forecast. Core Crown expenses were \$89 million (just 0.1 percent) below forecast. As a result, the Operating Balance before Gains and Losses (OBEGAL) was \$2.3 billion in surplus, \$321 million better than forecast. The Operating Balance was a \$1.5 billion deficit, \$82 million worse than expected. This was largely due to higher than expected losses: “ACC actuarial losses (primarily due to changes in discount rates) of \$880 million; [and] The Emissions Trading Scheme liability has increased due to an increase in carbon prices (from \$12.00 to \$15.15/unit), resulting in losses of \$520 million”. These were partly offset by “movements in financial instruments of \$1.0 billion”. Net debt at 24.7 percent of GDP (\$61.5 billion) was \$0.5 billion better than the \$62.0 billion forecast. Gross debt at \$87.8 billion was \$1.3 billion worse than forecast.

- [District Health Boards](#) recorded combined deficits of \$54.6 million for the twelve months to June 2016 (the full year but not yet audited). This is \$35.2 million worse than their plans. The Funder arms were in surplus by \$166.4 million, and Provider arms (largely their hospitals) in deficit by \$229.9 million. The Northern region was \$0.2 million ahead of plan with a surplus of \$9.2 million and all in surplus. The Midland region was \$14.7 million behind plan with a combined deficit of \$9.4 million and all DHBs but Waikato in deficit. Central region was \$17.3 million behind plan and all but Hawke’s Bay in deficit including Capital and Coast at \$11.9 million and Hutt Value at \$7.0 million, for a total deficit of \$18.4 million. The Southern Region was \$3.5 million behind plan with a \$36.0 million deficit and all but Nelson Marlborough DHB in deficit, with Southern showing a \$35.1 million deficit. In all only seven of the 20 DHBs were not in deficit. The DHB furthest ahead of plan was Waikato by \$2.3 million, and Capital and Coast was easily furthest behind, by \$13.4 million.
- ★ [Local Government](#) recorded a 4.3 percent (\$95.1 million) rise in operating income and a 3.3 percent rise in operating expenditure (\$75.7 million) including a 0.3 percent fall in employee costs for the June 2016 quarter compared to March 2016. This resulted in an operating deficit of \$74.2 million in the June quarter, compared with a deficit of \$93.6 million in the March quarter, and deficits in all the quarters back to June 2007 with the exception of June 2010, all in seasonally adjusted terms. Note that the latest quarter results are provisional and seasonally adjusted figures are revised with each release.

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## 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/economicbulletin182>.*

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