NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

CTU Monthly Economic Bulletin

No. 183 (October 2016)

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Commentary

The union pay premium

Summary

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

For the year to June 2016 CLEW finds that on average wages in collectives rose by 1.9 percent, which is higher than the 1.6 percent last year. Over the same period, the Labour Cost Index (LCI), which is dominated by people on individual rather than collective employment agreements, rose considerably less: by 1.5 percent. Private sector collective pay rates rose 2.3 percent (the same increase as for both 2014 and 2015) while the private sector LCI rose only 1.6 percent. Central government CEA rates rose 1.6 percent (up from 1.0 percent in 2015) while the central government LCI rose only 1.3. Finally local government CEA pay rates rose 2.6 percent (a little below the 2.7 percent in 2015), much more than the local government LCI which rose only 1.7 percent.

In every case in 2016 there was a clear union premium so the year confirms the longer term picture: that there is a worthwhile premium for being on a CEA, particularly in the private sector. Further, virtually all jobs on CEAs get a pay rise (only 1 percent didn't in 2016) but of those not on a CEA, only 45 percent got a rise.

Looking at the longer run, a job on a wage of $15.00 in June 1993 (around the average hourly wage) would be paying $26.58 in June 2016 if it had risen at the rate of increase in CEAs, but only $24.06 if it had risen at the rate of the LCI, a 10.5 percent CEA premium. For the private sector, the premium is 16.8 percent: $27.89 for CEAs compared to only $23.87 for the LCI. For Central Government (which includes the wider state sector such as health and education), the premium is quite small at 3.3 percent, which would be expected as the result of much higher unionisation in that sector. In Local Government, the premium is 13.6 percent.

However the number of working people directly benefitting from these union-negotiated increases is falling according to CLEW. Coverage in 2016 was 328,700 people compared to 333,000 in 2015. That is about one in six New Zealand employees in the year to June 2016. More positively, private sector coverage rose from 139,300 to 141,400. Not quite as pessimistic a picture comes from the recent HLFS survey for June which showed 410,300 employees said they were on CEAs. Whichever is true, it is little wonder unions are struggling to do their job of creating a fairer balance in who gets income, resources and power in New Zealand – yet they are still doing that job, as the pay premium illustrates.

In August, the Centre for Labour, Employment and Work (CLEW) at Victoria University released their annual analysis of collective employment agreements (CEAs)[1]. It shows again that people who are part of a collective do better in pay rises. In this commentary I update the "union premium" for 2016 – how much more people on CEAs, negotiated by unions, receive.

The pay advantage in collective agreements

As I have done for the last couple of years (see the September 2014 *Economic Bulletin* for more details of why) I compare the increases with the Labour Cost Index (LCI) which covers all workers. I compare the LCI rather than for example the average wage because both CLEW's data for CEAs and the LCI are concerned with the rate for the job rather than the individual holding the job, whereas the average wage includes pay increases for all kinds of reasons, and is affected by changes in the composition of the labour force (such as people in low paid jobs becoming unemployed). The LCI includes CEA-negotiated pay increases, but not rises due to the merits of the individual holding the job. However it is dominated by people on individual rather than collective employment agreements.

For the year to June 2016 CLEW finds that on average wages in collectives rose by 1.9 percent, which is higher than the 1.6 percent last year. Over the same period, the LCI rose considerably less: by 1.5 percent. Private sector collective pay rates rose 2.3 percent (the same increase as for both 2014 and 2015) while the private sector LCI rose only 1.6 percent. Central government CEA rates rose 1.6 percent (up from 1.0 percent in 2015) while the central government LCI rose only 1.3. Finally local government CEA pay rates rose 2.6 percent (a little below the 2.7 percent in 2015), much more than the local government LCI which rose only 1.7 percent.

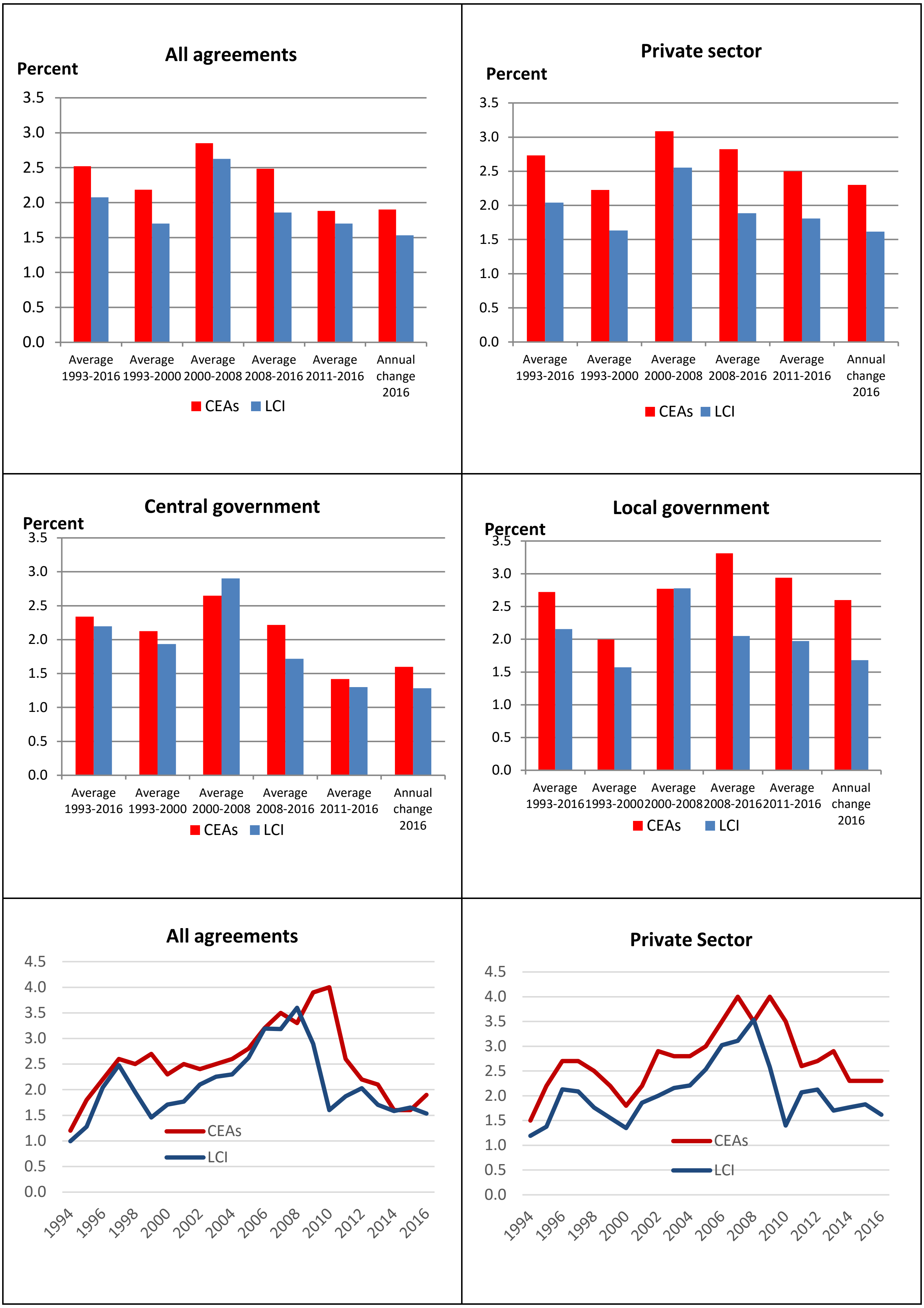
In every case in 2016 there was a clear union premium, and the same was true in each industry we can compare, so the year confirms the longer term picture: that there is a worthwhile premium for being on a CEA, particularly in the private sector. See the graphs on the next page (Figure 1). Despite the barriers the current government has put in the way of negotiating CEAs, a premium remains.

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

A job on a wage of $15.00 in June 1993 (around the average hourly wage) would be paying $26.58 in June 2016 if it had risen at the rate of increase in CEAs, but only $24.06 if it had risen at the rate of the LCI, a 10.5 percent CEA premium. For the private sector, the premium is 16.8 percent: $27.89 for CEAs compared to only $23.87 for the LCI. For Central Government (which includes both core public service and the wider state sector such as health and education), the premium is quite small at 3.3 percent, which would be expected as the result of much higher rates of unionisation and collective agreement membership in that sector. In Local Government, the premium is 13.6 percent.

[1] Blumenfeld, S., Ryall, S., & Kiely, P. (2016). *Employment Agreements: Bargaining Trends and Employment Law Update 2015/16*. Wellington, New Zealand: Centre for Labour, Employment and Work, Victoria University of Wellington.

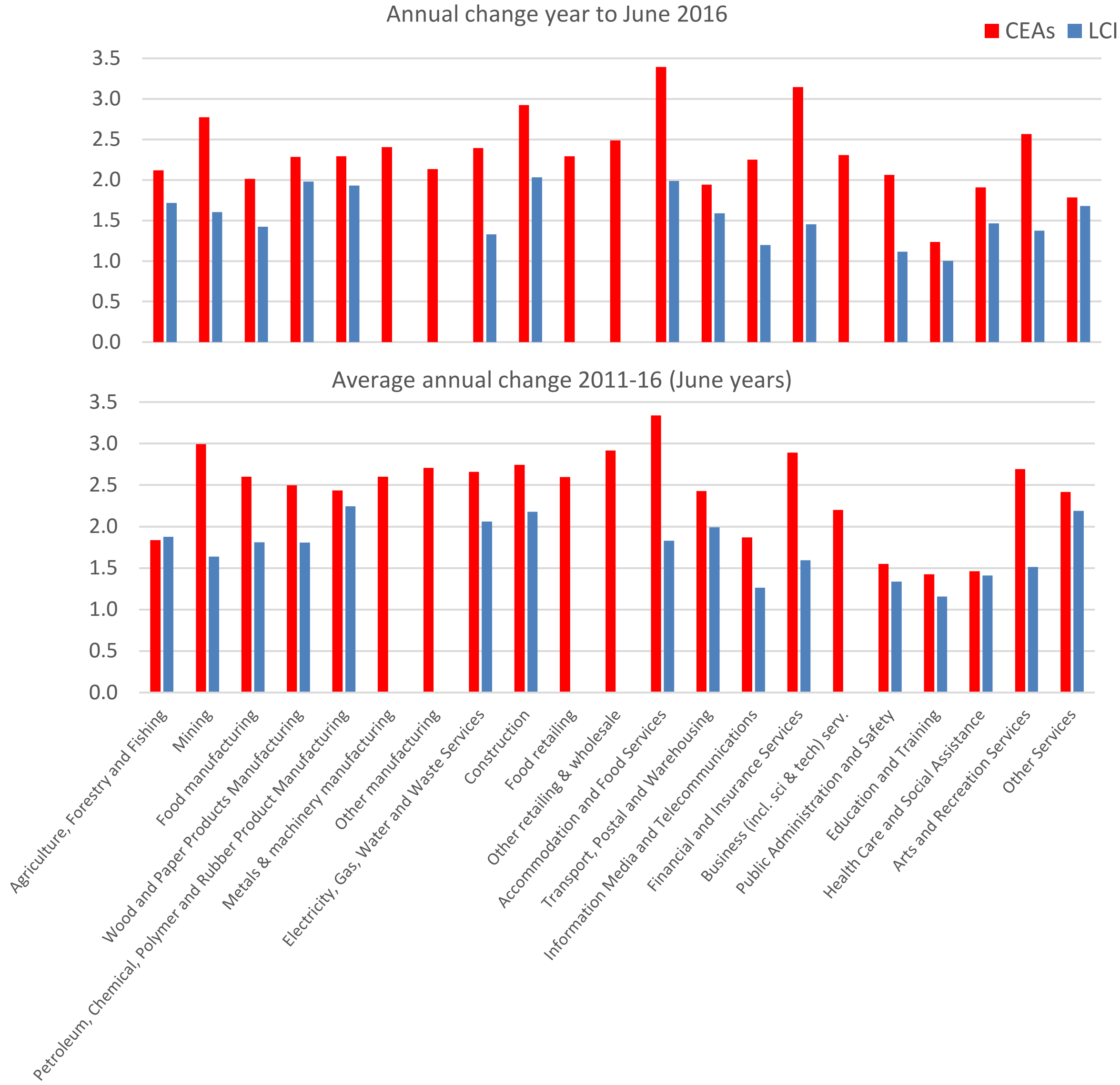
Figure 1: Average annual increases, comparing Collective Agreements (CEAs) with LCI



By industry

Comparing by industry, CEA pay increases are again higher than those shown in the LCI. Figure 2 shows the comparison for 2016 and average annual increases for 2011 to 2016 which is as far back as CLEW data is available. In 2016, CEA increases were higher in all industries we can compare. Over the five years 2011 to 2016 only in Agriculture, Forestry and Fishing does the LCI match CEAs: an average increase of 1.9 percent in the LCI compared to 1.8 percent in CEAs, which is unlikely to be a statistically significant difference. This is the weakest industry for Union and CEA coverage. Increases in government-dominated sectors were low over the five years, but increased in 2016, though still lower than other industries.

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

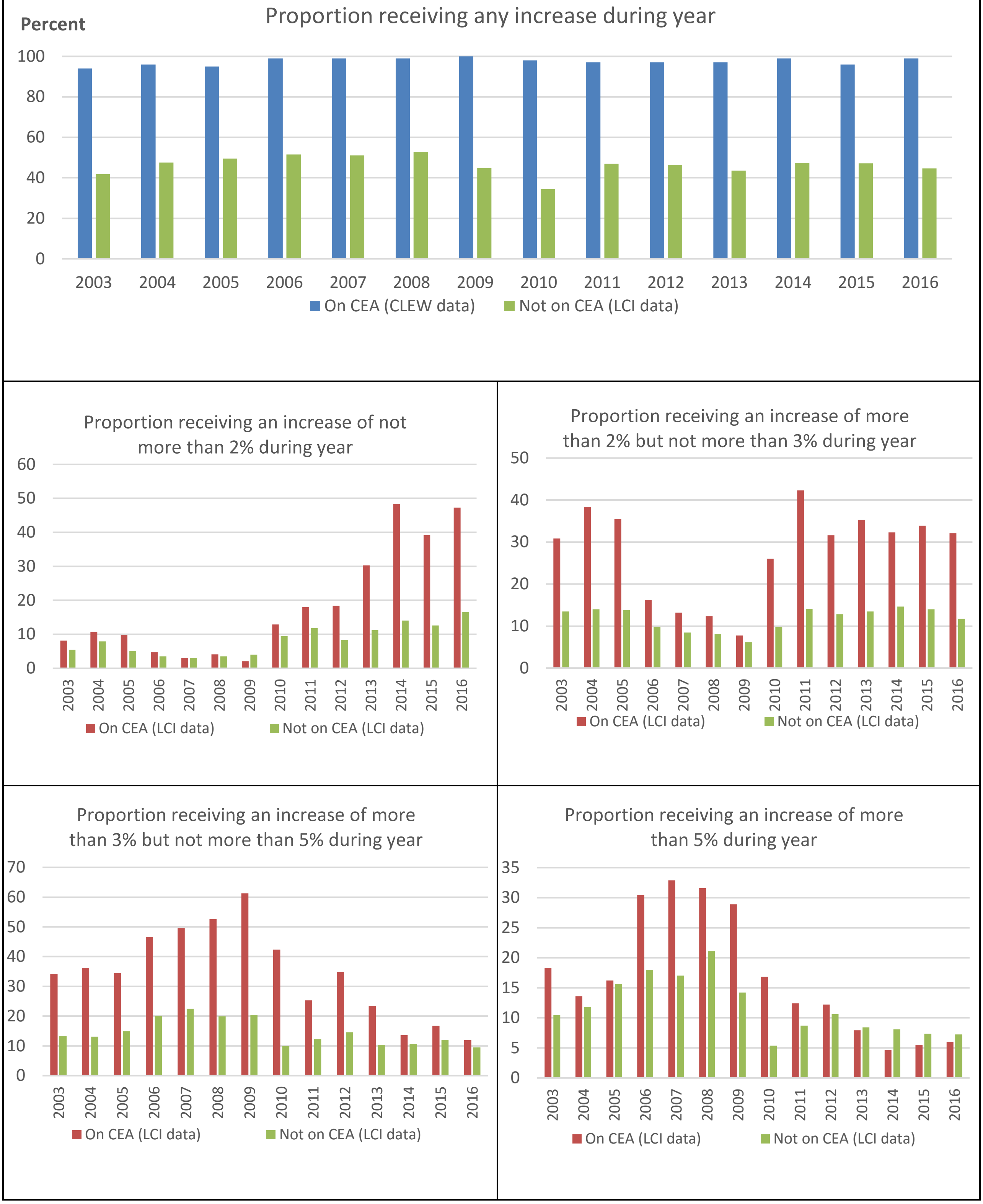


Frequency of pay rises

Information from the Labour Cost Index Survey enables us to estimate how frequently jobs covered by collectives get pay rises compared to other jobs. CLEW shows that virtually all jobs on CEAs get a pay rise (only 1 percent didn't in 2016) but for jobs not on a CEA, only 45 percent got a rise. In general those on CEAs are more likely to get a rise of any given size though since 2013 those not on a CEA have been more likely to get an increase of greater than 5 percent but even that gap is very small. In all, jobs on CEAs are 2.2 times more likely to get a pay rise than those that are not. See Figure 3.

However the number of working people directly benefitting from these union-negotiated increases is

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



falling according to CLEW. (Other workers may well benefit because in many firms and some industries the collective agreements set the benchmark for pay rises.) CEA coverage in 2016 was 328,700 people compared to 333,000 in 2015. That is 16.4 percent (about one in six) of New Zealand employees in the year to June 2016. However the picture was not entirely negative: private sector coverage rose from 139,300 to 141,400. But public sector coverage fell from 193,700 to 187,300. Not quite as pessimistic a picture comes from the recent HLFS survey for June which showed 410,300 employees said they were on CEAs. LCI data suggests similar coverage. Whichever is true, it is little wonder unions are struggling to do their job of creating a fairer balance in who gets income, resources and power in New Zealand – yet they are still doing that job, as the pay premium illustrates.

Bill Rosenberg

Information

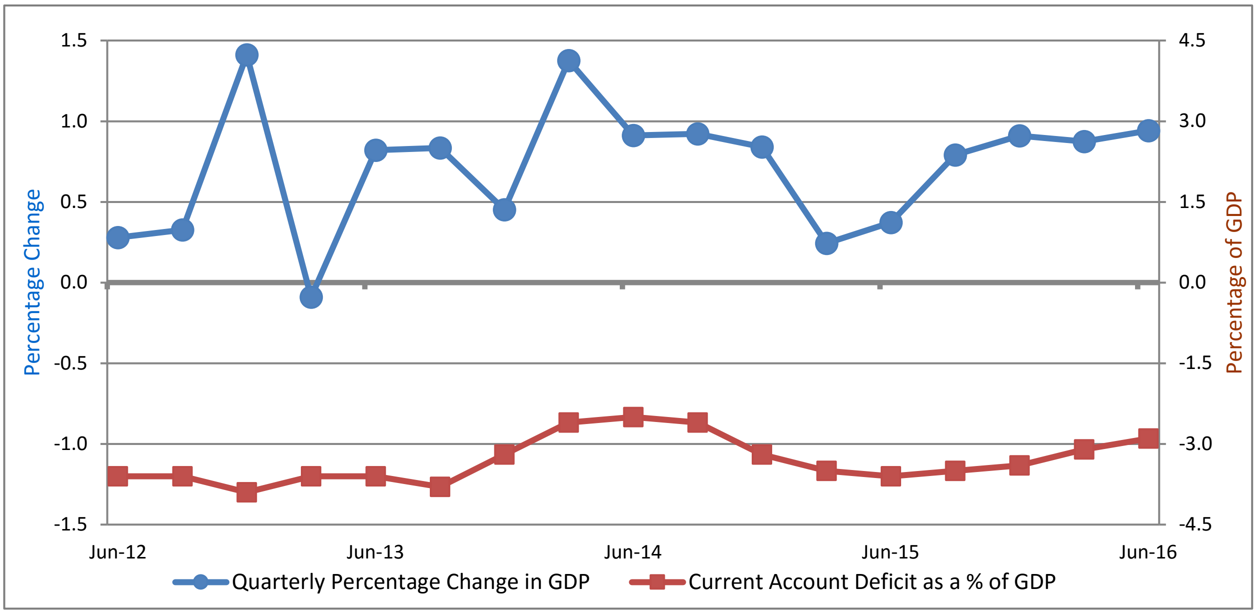
A ★ indicates information that has been updated since the last bulletin.

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[1] 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 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

[1] 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.

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 September saw exports of goods fall 5.7 percent from the same month last year while imports rose 1.8 percent. This created a trade deficit for the month of $1,436 million or 41.4 percent of exports. There was a trade deficit for the year of $3.4 billion or 7.0 percent of exports. In seasonally adjusted terms, exports rose 1.2 percent or $46 million over the month (compared to a 8.3 percent fall the previous month) led by rises in Dairy products (up 5.5 percent or $46 million), Fruit (up 26.1 percent or $53 million), and Seafood (up 17.9 percent or $22 million), offset by falls in Meat (down 11.0 percent or $52 million), Crude oil (down 34.5 percent or $32 million, not seasonally adjusted), Logs, wood and wood products (down 5.8 percent or $22 million) and Wine (down 11.5 percent or $16 million). Seasonally adjusted imports rose 6.0 percent or $253 million over the previous month, creating a trade deficit of $628 million compared to a $421 million deficit in the previous month. Import rises were led by Petroleum and products (not seasonally adjusted, up 71.9 percent or $203 million – after a 25.9 percent fall the previous month), with offsetting falls led by Mechanical machinery and equipment (not seasonally adjusted, down 4.1 percent or $27 million).

- ★ The Performance of Manufacturing Index[1] for September 2016 was 57.7, a rise from 55.2 in the previous month. The employment sub-index was at 50.3, a rise from 47.1 in the previous month.

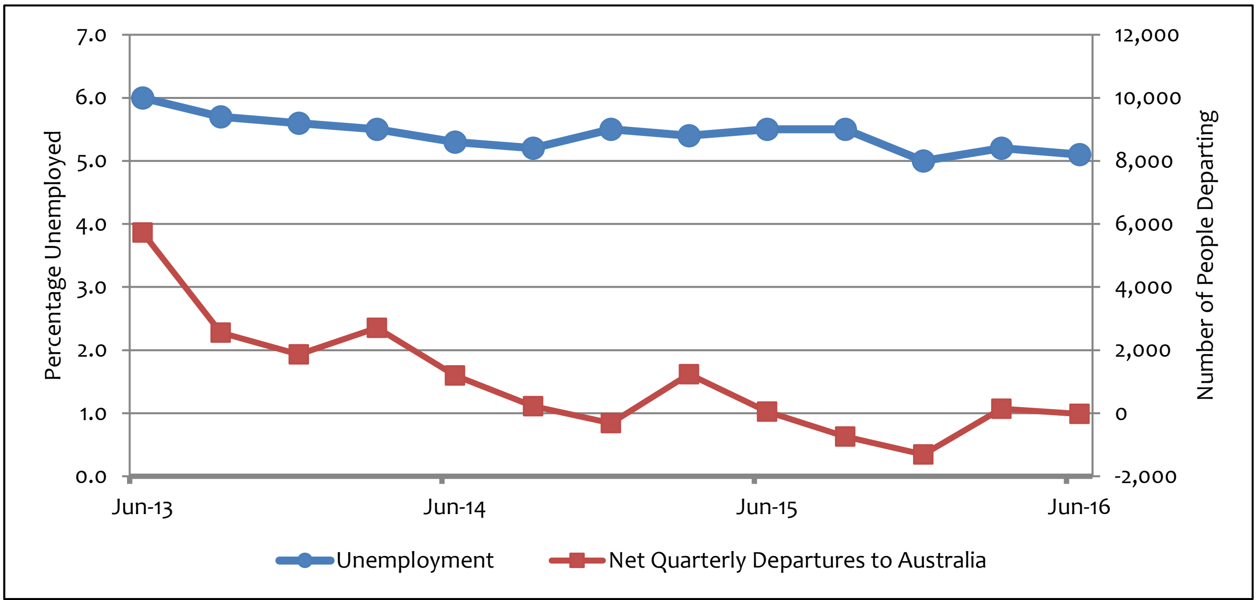
- ★ The Performance of Services Index[1] for September 2016 was 54.1, a fall from 57.9 in the previous month. The employment sub-index fell to 51.6 from 54.2 in the previous month.

- 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 $30,350 or 6.3 percent to $515,000 in the year to September 2016 and rose $23,000 or 4.7 percent on the previous month. The Auckland median price rose 7.0 percent or $54,000 over the year to $825,000 and fell 2 percent or $17,000 on the previous month. Excluding Auckland the national median price rose $35,000 or 9.6 percent to a new record of $400,000 compared to a year before. It was up $12,750 or 3 percent on the previous month. Six regions had record median prices: Northland ($390,000, up 15 percent over the year), Waikato/Bay of Plenty ($458,500, up 18 percent), Taranaki ($350,000, up 15 percent), Wellington ($480,000, up 16 percent), Nelson/Marlborough ($450,000, up 22 percent), and Otago ($296,000, up 6 percent). Central Otago Lakes prices rose 41 percent over the year. There was a fall of 2.5 percent to 1,016 in the number of sales in the $1 million plus range over the year and a rise of 0.9 percent to 1,987 in the $600,000 to $1 million range. However sales below that price level fell steeply, with those under $400,000 now only 34.8 percent of sales compared to 38.6 percent a year ago, an 18.4 percent fall. Total sales were down 9.5 percent from 8,174 a year ago to 7,397 in September 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. For more detail of this see last month's Bulletin.

- 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 11th equal lowest (out of 34 countries), despite the radical change in the measurement of unemployment not a great improvement on 12th 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 19.1 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.

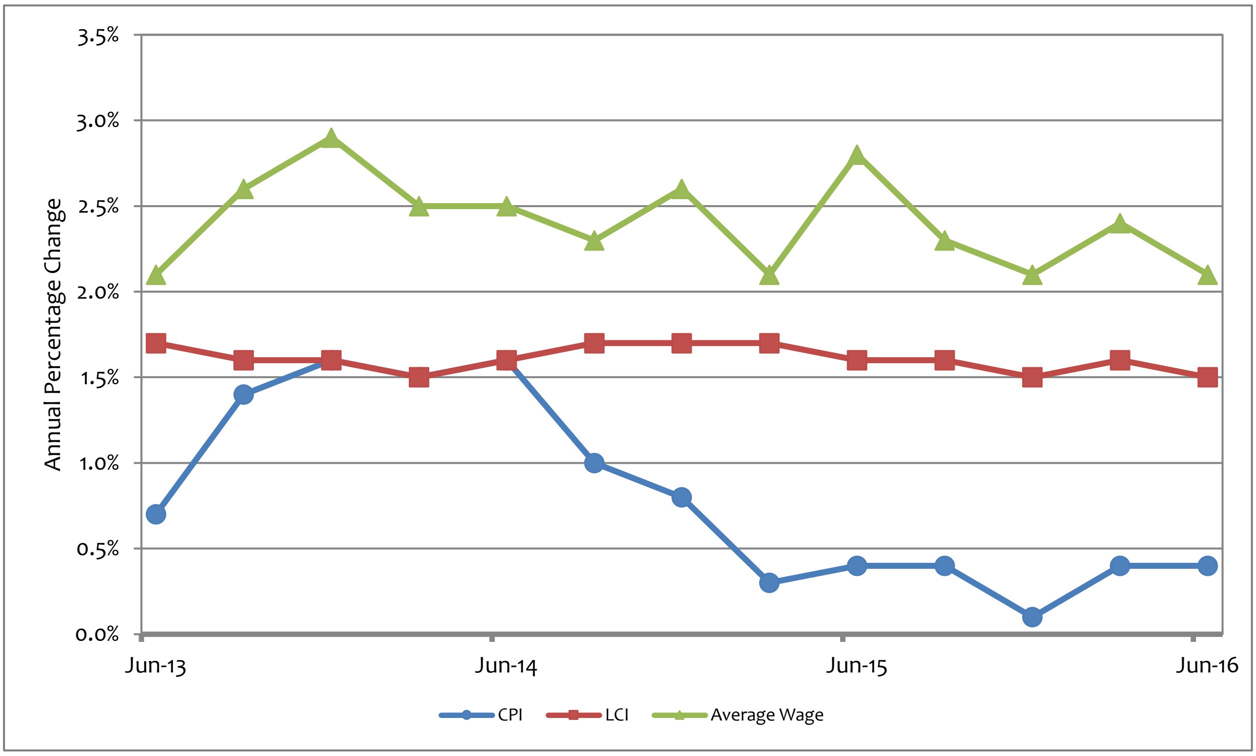
- ★ The Ministry of Social Development reports that at the end of September 2016 there were 122,284 working age people on the Jobseeker benefit, 1,383 more than a year before and a rise of 4330 from 117,954 in June. At September 2016, 66,115 were classified as 'Work Ready', and 56,169 were classified as 'Health Condition or Disability'. A total of 283,875 were on 'main' benefits, 3,292 fewer than a year before but 3,698 higher than June. It was 19,502 more than in September 2007. Of the 42,706 benefits cancelled during the three months to September, 18,120 or 42.4 percent obtained work, 13.4 percent transferred to another benefit and 6.5 percent became full time students.

- ★ Job Vacancies Online for September 2016 showed the number of job vacancies fell by 1.3 percent in the month and rose 13.2 percent over the same month a year previously in seasonally adjusted terms. Over the year, vacancies in Auckland rose 11.9 percent, Wellington 11.1 percent, rest of the North Island 20.4 percent, South Island other than Canterbury 17.4 percent, while Canterbury rose

2.9 percent. Over the month, vacancies fell in all regions: in Auckland down 2.4 percent, Wellington down 3.1 percent, rest of the North Island down 1.8 percent, Canterbury down 0.5 percent and the rest of the South Island down 2.2 percent. By industry, the fastest annual increases were in Hospitality and tourism (up 20.8 percent), Construction and Engineering (up 14.1 percent), Sales, retail, marketing and advertising (up 12.3 percent), and Education and Training (up 11.9 percent). During the month, only Education and Training (up 0.9 percent) and Healthcare and Medical (up 0.6 percent) increased, while others decreased led by IT (down 4.4 percent), Accounting, HR, legal and admin (down 2.3 percent) and Construction and Engineering (down 2.2 percent). By occupation, the fastest rise over the year was Labourers for (up 24.0 percent), followed by Machinery drivers (up 21.5 percent), Technicians and Trades workers (up 19.1 percent), Managers (up 16.8 percent) and Community and Personal Services (up 16.6 percent). Over the month, vacancies fell in all occupational groups other than Community and Personal Services which rose 2.5 percent. The greatest falls were in Machinery Drivers (down 4.7 percent) and Technicians and Trades Workers (down 4.4 percent). All the above are in seasonally adjusted terms.

★ International Travel and Migration statistics showed 10,960 permanent and long-term arrivals to New Zealand in September 2016 and 4,630 departures in seasonally adjusted terms, a net gain of 6,340. There was an actual net gain of 69,954 migrants in the year to September, the highest ever and easily the highest for an September year. Net migration to Australia in the year to September was 1,965 arrivals, with 23,820 departures and 25,785 arrivals. However there was still a net loss of 3,450 New Zealand citizens to Australia over the year and a net loss of 2,108 to all countries. For the month of September, there was a seasonally adjusted net gain from Australia of 290, compared to a gain of 40 a year before. In September, 12.4 percent of the arrivals had residence visas, 13.0 percent student visas, 42.6 percent work visas, and 4.3 percent visitors. A further 27.3 percent were New Zealand or Australian citizens.

Wages and prices

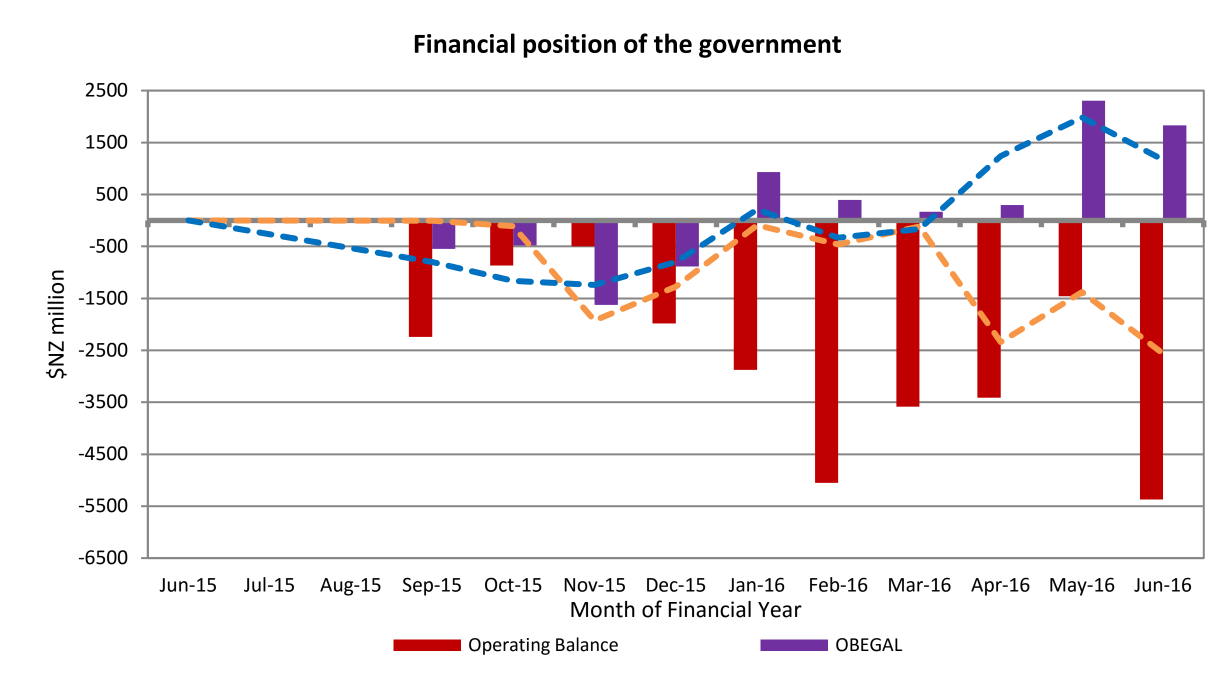


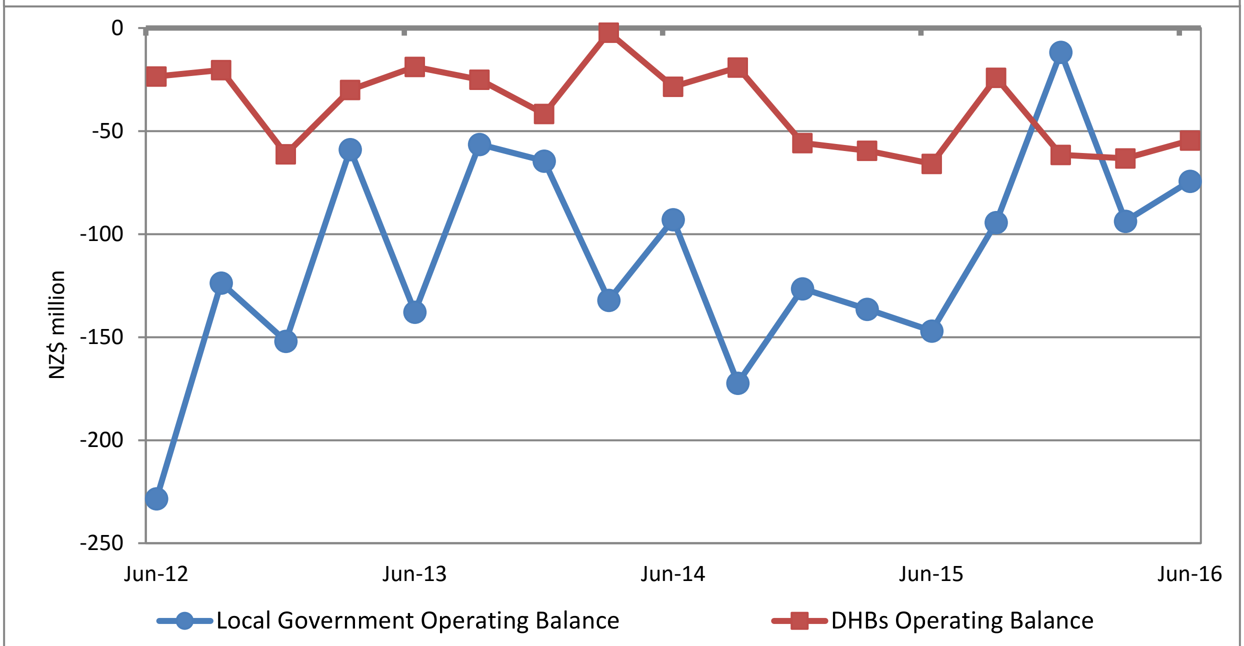
- The Labour Cost Index (LCI) for salary and ordinary time wage rates rose 0.4 percent in the three months to June 2016 and increased 1.5 percent in the year, ahead of the 0.4 percent increase in the CPI. It increased 0.2 percent in the public sector and 0.4 percent in the private sector in the three 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 (CPI) rose 0.2 percent in the September 2016 quarter compared with the June quarter, and increased 0.2 percent for the year to September. For the quarter, the largest upward influences were Housing and household utilities (up 1.1 percent and contributing 162.6 percent, or much more than the total rise, mainly due to the cost of new housing, which rose 2.0 percent, and local authority rates, up 3.0 percent), Household contents and services group (up 2.3 percent but contributing 61.7 percent, or almost two-thirds of the rise mainly due to rising costs of furniture and furnishings, up 3.2 percent, and small electrical household appliances, up 2.4 percent), and Food (up only 0.4 percent but contributing 45.7 percent or almost half of the total rise mainly due to a 16.0 percent rise in vegetable prices though offset by falls in many other food prices led by Fruit, down 10.7 percent). These rises were substantially offset by falls led by Transport (down 3.0 percent contributing a reduction of 238.6 percent or over double the total rise, mainly due to “Other private transport services” which fell by 28.5 percent influenced by lower vehicle relicensing fees, and petrol which fell by 1.7 percent). In seasonally adjusted terms, the CPI fell 0.1 percent from June, Food fell 0.5 percent, Alcoholic beverages and tobacco rose 0.6 percent, Clothing and footwear fell 0.1 percent, Housing and household utilities rose 0.8 percent, Communications fell 0.4 percent, Recreation and culture fell 0.2 percent, and Education rose 0.9 percent. Inflation in Canterbury for the year was negative 0.2 percent but was (positive) 0.2 percent

in the rest of the South Island. In Auckland prices rose 0.2 percent, Wellington 0.3 percent and 0.7 percent in the North Island other than Auckland and Wellington. Auckland's housing costs rose 3.8 percent over the year, the fastest in the country; Wellington's at 2.6 percent and Canterbury's at 2.3 percent rose slowest, with the national average movement of 3.2 percent exceeded only by Auckland and the North Island outside Auckland and Wellington which rose 3.3 percent.

★ The Food Price Index fell by 0.9 percent in the month of September 2016 (falling 0.2 percent in seasonally adjusted terms). Food prices rose 0.1 percent in the year to September. Compared with the previous month, fruit and vegetable prices fell 5.1 percent (but rose 0.4 percent seasonally adjusted); meat, poultry, and fish prices fell 0.9 percent; grocery food prices had no overall change (but were up 0.2 percent seasonally adjusted); non-alcoholic beverage prices fell 0.1 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 year ended 30 June 2016, core Crown tax revenue was $763 million (1.1 percent) higher than forecast in the 2016 Budget Economic and Fiscal Update (BEFU). PAYE was $0.4 billion (1.7 percent) above forecast, Customs and excise duties were $0.2 billion (3.5 percent) above forecast, Corporate tax revenue was $0.1 billion (1.0 percent) above forecast, GST was $0.1 billion (0.4 percent) above forecast, and Resident withholding tax was $0.1 billion (3.7 percent) below forecast. Core Crown expenses were $453 million (0.6 percent) below forecast. As a result, the Operating Balance before Gains and Losses (OBEGAL) was $1.8 billion in surplus, $1.2 billion better than forecast. However the Operating Balance was a $5.4 billion deficit, $2.8 billion worse than expected. This was largely due to higher than expected losses: "ACC and GSF incurred higher than forecast actuarial losses due to lower discount rates ($2.0 billion and $1.1 billion respectively) while losses on the Emissions Trading Scheme were $0.9 billion higher than forecast due to an increased carbon price". The total ETS loss (a corporate subsidy) was $1.5 billion. Net debt at 24.6 percent of GDP ($61.9 billion) was $0.4 billion better than the $62.3 billion forecast. Gross debt at $86.9 billion (34.5 percent of GDP) was $0.1 billion more than forecast.

★ District Health Boards recorded combined deficits of $18.7 million for the two months to August 2016. This is $4.5 million worse than their plans. The Funder arms were in surplus by $11.8 million, and Provider arms (largely their hospitals) in deficit by $31.6 million. The Northern region was $1.7 million behind plan with a deficit of $0.9 million and Northland and Waitemata in deficit. The Midland region was $2.2 million behind plan though a combined surplus of $1.6 million due mainly to a $2.4 million surplus at Waikato, but all of the others but Lakes in deficit. Central region was $0.5 million behind plan with a combined $8.3 million deficit and all in deficit including Capital and Coast at $3.3 million, Hutt Valley at $2.0 million and MidCentral at $2.5 million. The Southern Region was on plan with a $11.0 million deficit and all but Nelson Marlborough DHB in deficit, with Canterbury showing a $8.2 million deficit and Southern $2.9 million. In all only five of the 20 DHBs were in surplus. The DHB furthest ahead of plan was Waikato by $2.4 million, and Capital and Coast was easily furthest behind, by $8.2 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.

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/economicbulletin183.

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