



NEW ZEALAND COUNCIL OF TRADE UNIONS

*Te Kauae Kaimahi*

# CTU Monthly Economic Bulletin

No. 161 (September 2014)

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## *Commentary*

### **Do Collective Agreements give bigger pay rises?**

#### **Summary**

Does it pay for you to be on a Collective Employment Agreement (CEA) rather than an individual agreement? The evidence available suggests that yes, workers on Collective Employment Agreements get bigger and more frequent pay rises. They may of course get other benefits aside from a better deal on pay, such as better job security, leave, redundancy pay, and consultation processes, and more say in their working conditions.

From June 1993 to June 2014, according to data from the Centre for Labour, Employment and Work (CLEW) at Victoria University, the average pay rise per year for members of CEAs was 2.6% a year. For all workers, according to Statistics New Zealand's Labour Cost Index (LCI) it was 2.1% a year. If that doesn't sound like much of a difference (half a percentage point a year), consider this. The average wage in June 1993 was \$14.80. If it went up by the rate of the LCI, it would have been \$23.00 in June 2014. If it went up at the rate of CEAs it would have been \$25.39 in June 2014 (it was actually \$28.23 because of increases paid for individual merit to workers on and off CEAs, and changes in industries, occupations and the like).

For private sector workers, the rise over that period was 2.8% for members of CEAs but only 2.1% on the LCI. For those in central government, the comparison was 2.4% versus 2.3%, and for local government, 2.7% versus 2.2%. So by sector, there is a consistent picture of CEAs doing better. This has been true over various periods too: CEAs were better even over the Employment Contracts Act period of 1993-2000. There is a similar story for industries.

Using LCI survey data we can also look at the proportion of workers who get different levels of pay rise. This produces the startling finding that CEA members are approximately twice as likely to get a pay rise as workers who are not on a CEA. In the year to June 2014, 98% of CEA members got a pay rise while only 48% of workers not on a CEA got one. Looking back to 2003, that has consistently been the case, and around the worst of the global financial crisis (in late 2009, early 2010), the ratio reached over three times. Then, CEA members kept getting steady increases while the proportion of workers not on a CEA who got a pay rise fell back to 31%.

This is not because CEA members got lots of low increases while others got few, but higher increases. CEA members were for the great majority of the time getting more pay increases in all sizes of pay increase.

Does it pay for you to be on a Collective Employment Agreement rather than an individual agreement? I last looked at this in the [September 2012 Economic Bulletin](#). This month I look at it again, with updated information and some from a new source. In short, the evidence available suggests that yes, workers on Collective Employment Agreements (CEAs) do get bigger and more frequent pay rises. They may of

course get other benefits aside from a better deal on pay, such as better job security, leave, redundancy pay and consultation processes, and more say in their working conditions.

The data for CEAs comes mainly from the invaluable work of the Centre for Labour, Employment and Work (CLEW – formerly the Industrial Relations Centre) at Victoria University, who publish an annual report on Employment Agreements and Bargaining Trends every year\*. However I am adding some data from Statistics New Zealand's Labour Cost Index (LCI) survey. The LCI covers all workers, so it gives us a comparison as to how members of CEAs are doing relative to other workers.

Why compare CEAs with the LCI rather than, say, the average wage? Because both are concerned with the same kind of pay rises: ones about the job rather than the individual holding the job, whereas the average wage includes all kinds of pay rise. Examples relating just to the job are cost-of-living rises, rises (or the opposite!) related to recruitment and retention for a job and the like. Collectives may provide pay scales or rates to recognise an individual's experience, responsibility or qualifications, but those scales and rates all typically rise by a similar increase when the CEA is renegotiated, and we have no way of knowing how individual members of the collectives benefit due to their own merit. CLEW can only measure how the CEA rates move, and similarly the LCI includes CEA-negotiated increases among the increases it measures, but not those due to the merits of the individual holding the job.

There are a few notes of caution to bear in mind. The data available for the percentage of workers getting various pay rises doesn't allow breakdown by occupation, industry, gender, age, part time vs full time status, temporary vs permanent or other aspects that can affect pay. We do have some industry comparisons, but again they don't allow breakdowns by other aspects. However we can have some confidence for two reasons. Firstly, just about every industry shows the same pattern as for all industries – higher pay rises for those on collectives. Secondly, as just noted, the pay rises we compare here are not all pay rises: they are the pay rises attributable to the job rather than the individual holding the job. We don't have any data on whether people on CEAs are more or less likely to get pay rises on merit, experience, time on the job etc. Job-related rises are less likely to be affected by personal characteristics. But it is still possible that for example different occupations within an industry get different pay rises, and that CEAs represent only some occupations. Similarly with gender, part time vs full time or temporary vs permanent. Also remember that when we look at "all industries" or the "private sector", CEAs (like unionisation) are very patchy in their coverage.

A final caution is that the method used by CLEW to calculate annual increases (see Appendix B of their report) is unavoidably different from the way an increase is calculated for the LCI. This is because increases are negotiated in CEAs for 'untidy' periods, rarely exactly for one, two or three years, and they may affect different members of the collective in different ways (for example a fixed increase across the board will give lower paid workers a bigger percentage increase). So the increases from the LCI will be different from the estimates CLEW makes. Some of the evidence I produce here suggests that CLEW's method may underestimate the actual increases that individual workers see in their pockets.

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\* Blumenfeld, S., Ryall, S., & Kiely, P. (2014). *Employment Agreements: Bargaining Trends and Employment Law Update 2013/14*. Wellington, New Zealand: Centre for Labour, Employment and Work, Victoria University of Wellington.

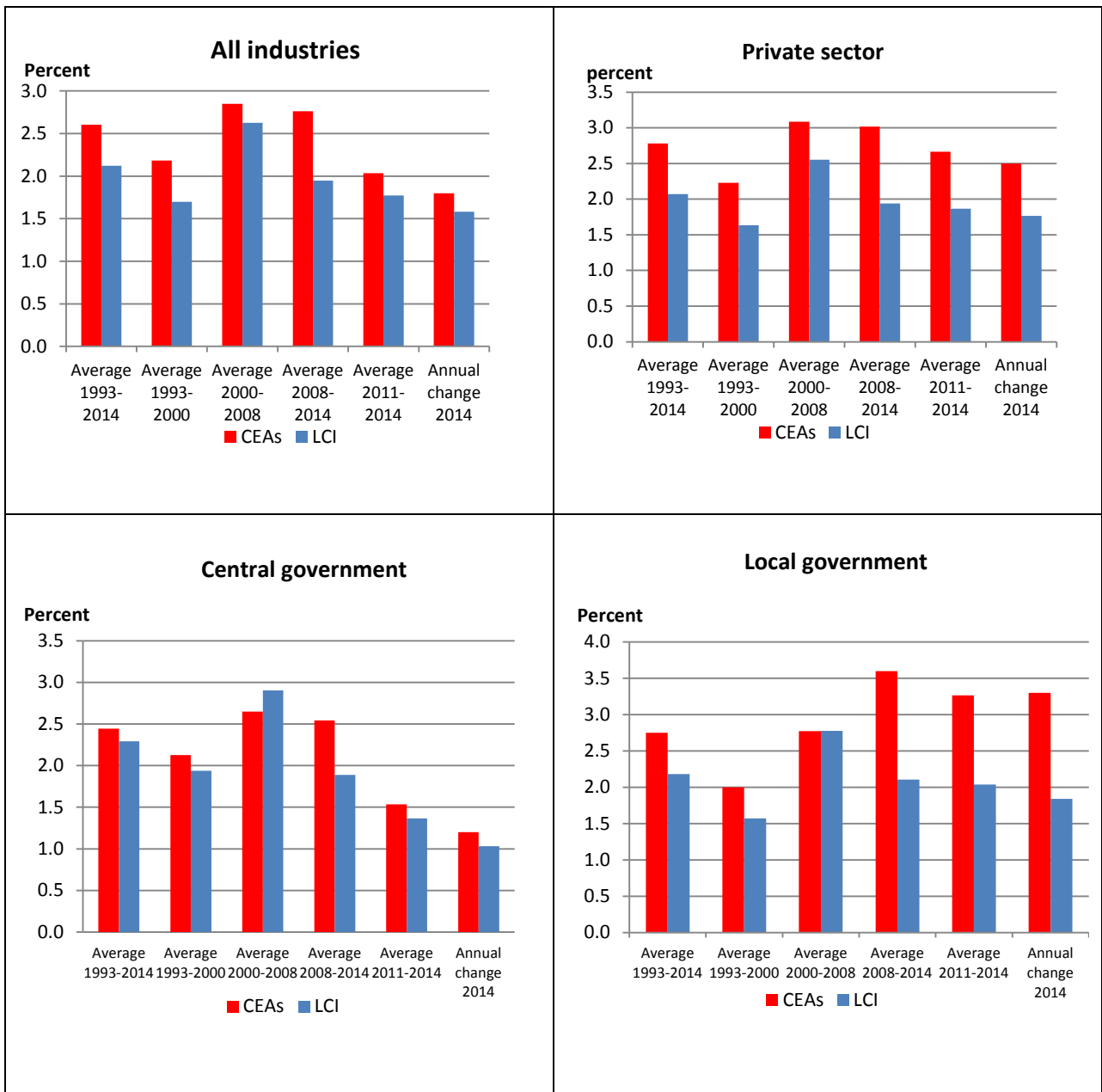
Note that the increases discussed don't take inflation into account: the purpose here is to compare types of employment agreement rather than how wages are doing against inflation.

First we'll look at how pay rates have risen on average, comparing the LCI and CEAs. Following this we'll look at how frequently they have risen and the range of rises. All years are to June.

**Comparing percentage pay increases**

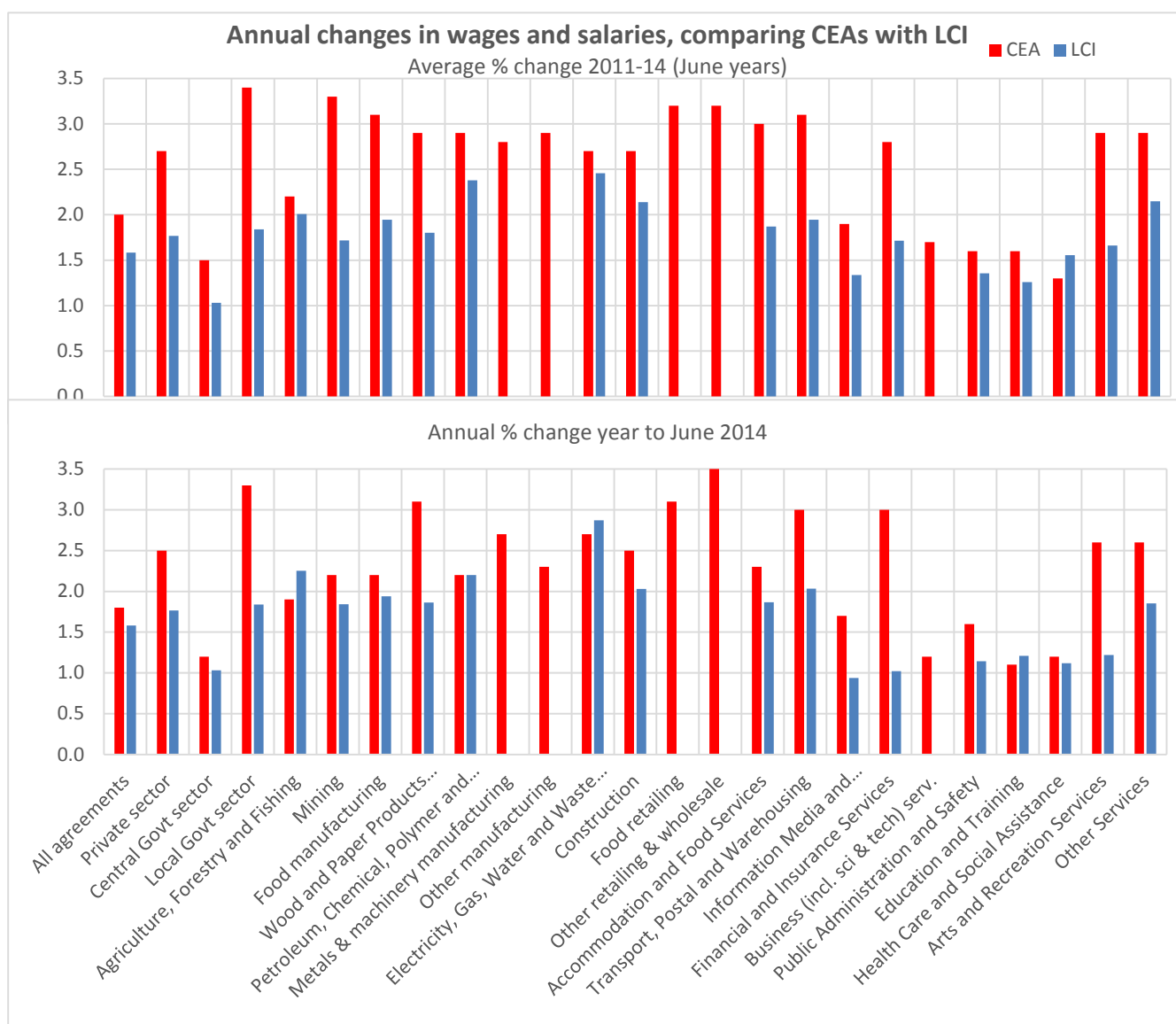
We have data going back to 1993. Over that period, June 1993 to June 2014, the average pay rise per year for members of CEAs was 2.6% a year. For all workers, according to the LCI, it was 2.1% a year. If that doesn't sound like much of a difference (half a percentage point a year), consider this. The average wage in June 1993 was \$14.80. If it went up by the rate of the LCI, it would have been \$23.00 in June 2014. If it went up by the rate of CEAs it would have been \$25.39 in June 2014 (it was actually \$28.23, which reflects the effect of other types of increase, and changes in industries, occupations and the like).

**Average annual increases, comparing CEAs with LCI**



For private sector workers, the rise over that period was 2.8% for members of CEAs but only 2.1% on the LCI. For those in central government, the comparison was 2.4% versus 2.3%, and for local government, 2.7% versus 2.2%. So by sector, there is a consistent picture of CEAs doing better. This has been true over various periods too: CEAs were better even over the Employment Contracts Act period of 1993-2000. The only exception is that from 2000-2008, the LCI increase for central government workers was higher than for CEAs in that sector. That is a surprise given the high unionisation of central government workers. It could be a reflection of higher paid workers (who often get higher pay rises) not being on collectives, or of the way the CEA rises are calculated (see above).

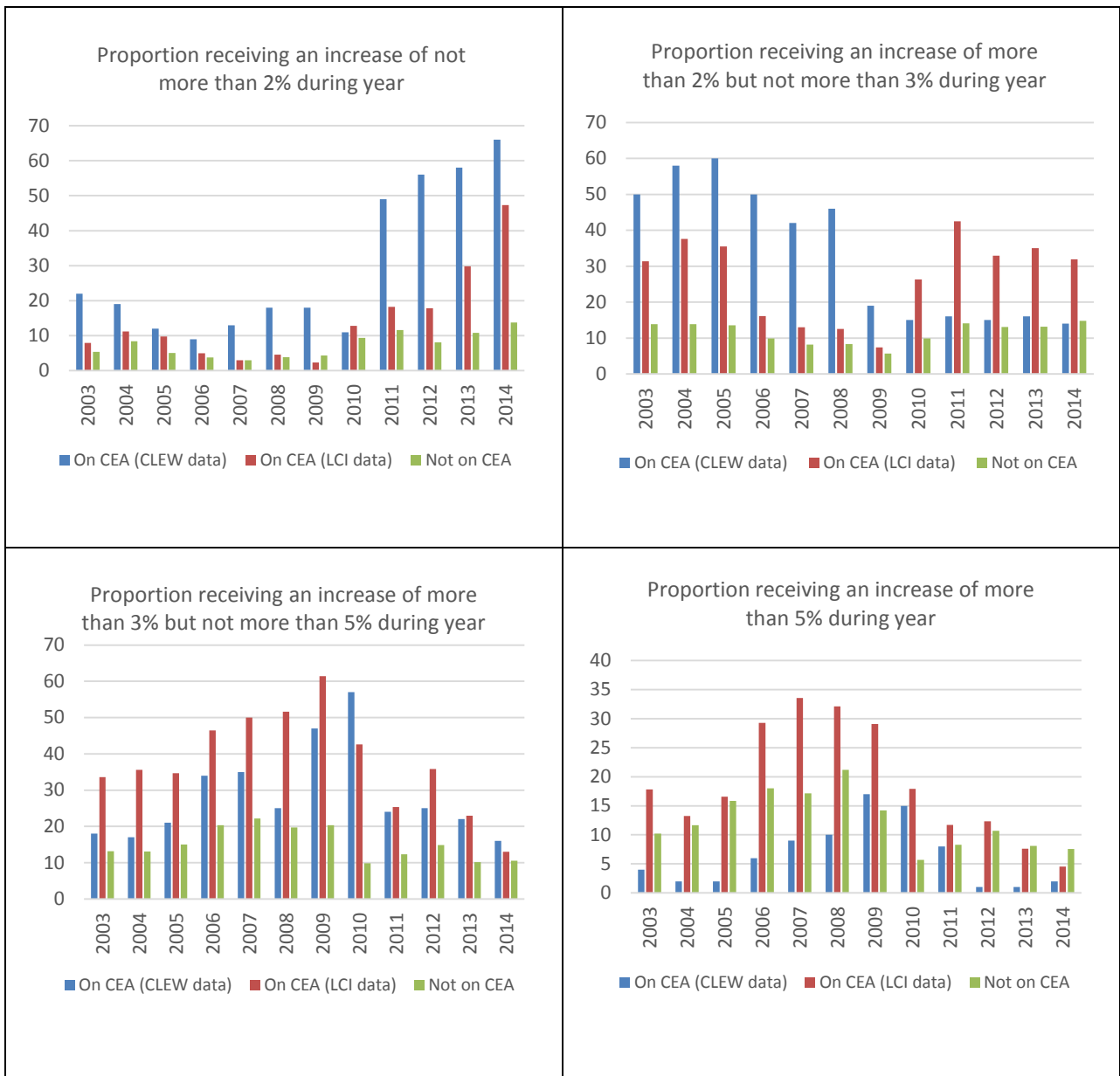
Across industries, we only have comparable series back to 2011. Some we are not able to compare. However what comparisons we have show the same picture. CEA rises were higher for just about all industries, whether looking at just the year to June 2014, or the three years 2011-2014. The only exceptions were, for 2011-14, Health Care and Social Assistance, and for 2014, Agriculture, Forestry and Fishing; Electricity, Gas, Water and Waste Services; and Education and Training. None of these differences were large and could be within measurement error. Again, Health and Education are surprise exceptions because of the high union and CEA density in those industries. On the other hand, coverage in Agriculture, Forestry and Fishing is very low.



### How frequent and how big?

Both CLEW (for CEAs) and the LCI record the proportion of pay rises each year, within percentage size bands. What CLEW records for CEAs is whether a rise had been negotiated for each CEA and how much, and the assumption is that all members of the CEA are affected by it. As noted above, within a CEA, members may well receive different percentage increases, depending how it affects them (quite independently of any individual merit pay increases). On the other hand, the LCI records pay increases to individuals, and records the reason the employer gives for their increases – cost of living, matching market rates, retaining or attracting staff (or some combination), or CEAs.

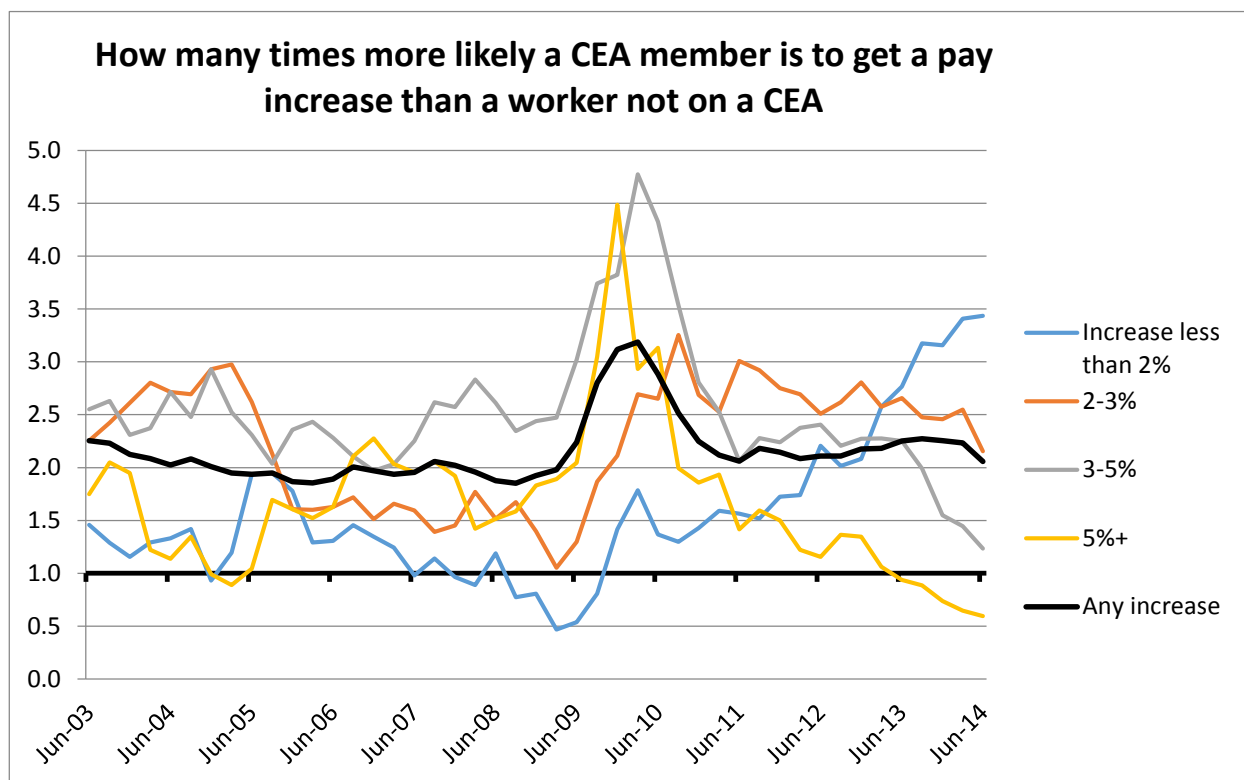
The two are different methods of recording increases, and also, as noted above, use different methods for calculating the increases. Unsurprisingly they show different spreads of increases. What is interesting though is that the CLEW statistics show a much greater proportion of small (especially 2% or less) pay increases for CEA members, while the LCI results show more in the higher ranges (especially over 3% up to 5%; or more than 5%). That suggests the CLEW calculations may be underestimating the size of the increases CEA members are receiving.



If we use CLEW’s estimate of the proportion of CEAs that don’t get any increase (or get a decrease, which hasn’t happened in the period since June 2003 which we are looking at in this section), it is possible to estimate the proportion of workers getting a pay increase on a CEA and the proportion get an increase but not on a CEA using data provided by the LCI survey. It’s reasonable to accept this estimate because CLEW’s statistics cover the “vast majority” of CEA members, and the calculation of a zero increase is unlikely to be affected by the calculation method used. I explain the method I use in a technical note at the end of this commentary. Only 2% of CEAs had a nil increase in the year to June 2014, but the LCI shows 43% of workers overall had had no increase in that year.

This produces the startling finding that CEA members are approximately twice as likely to get a pay rise as workers who are not on a CEA. Looking back to 2003, that has consistently been the case, and at the worst part of the global financial crisis (in late 2009, early 2010), the ratio reached over three times. During that period, CEA members continued to get steady increases while the proportion of workers not on a CEA who got a pay rise dropped right back to 31%. This is not a case of CEA members getting lots of low increases while others got few, but higher increases. CEA members were for the great majority of the time getting more pay increases in all sizes of pay increase (which are divided into ranges). The biggest exception is in the most recent year: since June 2013, a smaller proportion of CEA members have received pay increases of over 5% than non-CEA members. Possibly this is due to big increases occurring in the Christchurch rebuild due to skill shortages there. But it is unusual over the time period we can compare these rises. In the year to June 2014, 98% of CEA members got a pay rise while only 48% of workers not on a CEA got one.

The following graph shows this for all pay rises and each range of size of rise. Remember that “1.0” (the dark horizontal grid line in the graph) means that a CEA member is equally likely to get the pay rise as someone on an individual agreement. “2.0” means they are twice as likely to get one, and so on.



**Technical stuff: How I calculate the proportion of CEA members (and non-CEA members) getting a given pay rise from the LCI data.** The LCI reports reasons employers give for pay rises, and the proportion of workers (actually positions) that got a pay rise of that amount for that reason. As noted above, one of the reasons for a rise is that it was due to a CEA. (It is somewhat ambiguous whether it means that the worker was actually on a CEA, or that the worker was not on a CEA but the employer gave the pay rise to maintain parity with the CEA, but the numbers imply the latter is relatively rare; it needs further investigation.)

We can interpret that as the probability of being on a CEA given the worker received a pay rise – mathematically,  $P(\text{CEA}|\text{rise})$ . Probability theory allows us to say that the probability of a rise given that the worker is on a CEA,  $P(\text{rise}|\text{CEA})$  is equal to  $P(\text{rise and CEA})/P(\text{CEA})$ . So  $P(\text{rise}|\text{CEA}) = P(\text{CEA}|\text{rise})P(\text{rise})/P(\text{CEA})$ .  $P(\text{rise})$  is provided by the LCI survey, so we only have to calculate the workforce density of CEA membership,  $P(\text{CEA})$ .  $P(\text{CEA})$  is equal to the sum of  $P(\text{CEA and rise})$  and  $P(\text{CEA and not rise})$ , which is equal to  $P(\text{rise})P(\text{CEA}|\text{rise}) + P(\text{CEA})P(\text{not rise}|\text{CEA})$ , from which  $P(\text{CEA})$  is equal  $P(\text{rise})P(\text{CEA}|\text{rise})/P(\text{rise}|\text{CEA})$ .  $P(\text{rise}|\text{CEA})$  is obtained from the CLEW data ( $1 - P(\text{not rise}|\text{CEA})$ ) and so we can calculate  $P(\text{rise}|\text{CEA})$ ,  $P(\text{rise}|\text{not CEA})$  etc. For June 2014, the proportion of jobs on a CEA from this calculation was 19%.

**Bill Rosenberg**

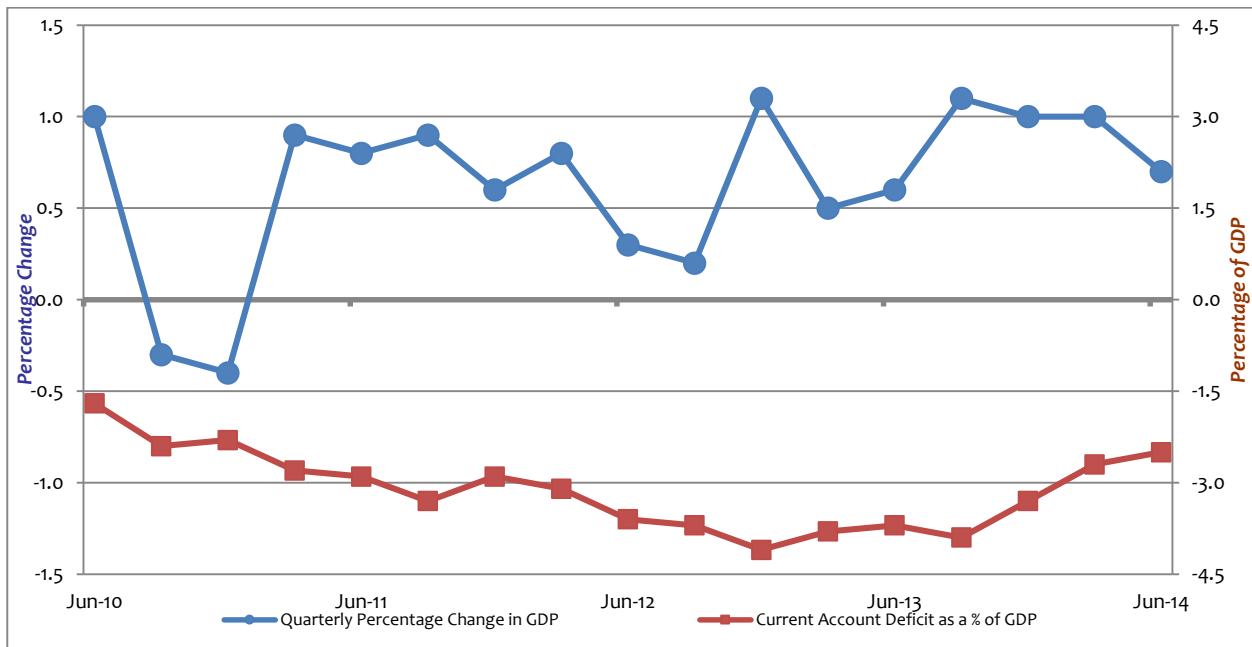
## Forecast

★ This [NZIER forecast](#) was released on 15 September 2014.

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

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

## Economy



★ Growth in New Zealand's economy continued to increase but less strongly in the June 2014 quarter, with [Gross Domestic Product](#) growing at 0.7 percent, compared to quarterly increases of 1.0 percent in March and 1.0 percent in December 2013. Growth for the year ended June 2013 was 3.5 percent. The June 2014 quarter was 3.9 percent up on the same quarter in 2013. The largest quarterly rises by industry were in Administrative and Support Services (up 7.5 percent), Professional, scientific and technical services (up 3.3 percent), Accommodation and Food Services (up 3.0 percent), Textile, leather, clothing, and footwear manufacturing (up 2.6 percent) and Construction (up 2.2). However Mining fell 4.5 percent, Forestry and Logging fell 3.5 percent, and Agriculture fell 2.2 percent. Manufacturing fell 0.3 percent following a static March quarter. The tradables (import-competing and export) sector was therefore weak. The result was that Primary Industries fell 3.1 percent, Goods producing industries (which includes Construction) rose 0.7 percent and Service industries rose 1.4 percent. Over the year though (comparing June years), all industries expanded except Mining (which fell 0.9 percent), led by Construction (11.7 percent),



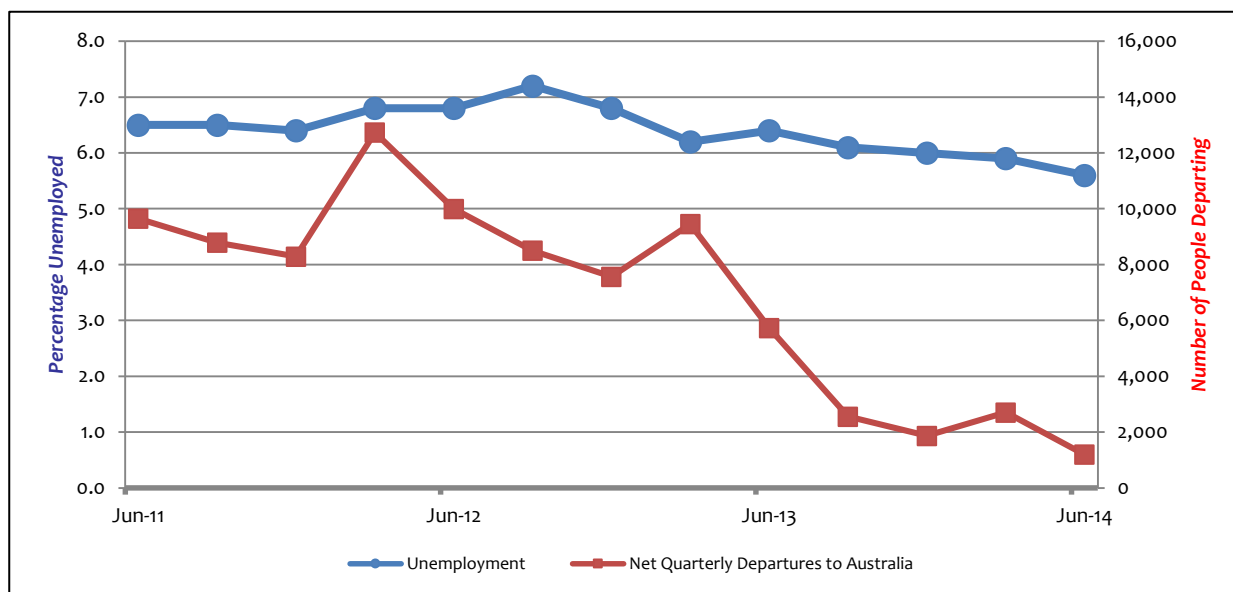
Agriculture, forestry and fishing (5.9 percent), Health care and social assistance (5.3 percent), Retail trade and accommodation (4.2 percent) and Financial and insurance services (4.2 percent). Almost all manufacturing industries expanded production from the June quarter last year, the only exception being Textile, leather, clothing, and footwear manufacturing which contracted by 3.0 percent. Food, beverage, and tobacco manufacturing rose 2.1 percent, Wood and paper products manufacturing rose 0.5 percent, Printing 9.3 percent, Petroleum, chemical, polymer, and rubber product manufacturing 5.0 percent, Non-metallic mineral product manufacturing 12.4 percent, Metal product manufacturing 4.5 percent, Transport equipment, machinery and equipment manufacturing 2.9 percent, and Furniture and other manufacturing 4.2 percent. Household consumption expenditure rose 1.3 percent in real terms in the quarter and 3.3 percent from the June 2013 quarter. Expenditure on non-durable goods (such as groceries) rose 0.3 percent in real terms during the quarter and rose only 0.7 percent during the year while durables rose 1.4 percent in the quarter and boomed at 7.4 percent over the year. Business investment rose 2.5 percent in the quarter with large increases in non-building construction (19.9 percent), Transport equipment (9.9 percent) and Intangible fixed assets (6.2 percent).

- ★ New Zealand recorded a [Current Account](#) deficit of \$2.0 billion for the June 2014 quarter in seasonally adjusted terms (\$1.1 billion actual), compared to a 0.6 billion deficit in the March quarter. The deterioration was driven by a falling surplus on goods trade of \$0.3 billion while the deficit on income and transfers rose to \$2.8 billion. For the year to June 2014, the deficit was \$5.8 billion or 2.5 percent of GDP compared to a \$6.0 billion deficit in the year to March. The deficit on investment income was \$9.8 billion, which is rising because of increased outward flows of income on foreign investment in New Zealand.
- ★ The country's [Net International Liabilities](#) were \$149.7 billion at the end of June 2014 (65.3 percent of GDP) down from \$151.0 billion (66.9 percent of GDP) at the end of March, and the same as the \$149.7 billion (70.5 percent of GDP) in June 2013. The fall in net liabilities in the quarter was due mainly to net financial derivative valuation changes and market price changes, with assets rising \$4.2 billion and liabilities rising \$4.8 billion as a result of actual financial flows. There was a net inward financial inflow of \$0.5 billion. Of the net liabilities, \$8.7 billion was owed by the government (equivalent to 3.8 percent of GDP) and \$98.9 billion by the banks (43.2 percent of GDP), which owed \$60.2 billion to related parties. Total insurance claims owed by overseas reinsurers from all Canterbury earthquakes are estimated at \$19.7 billion, and at 30 June 2014, \$14.8 billion of these claims had been settled, leaving \$4.9 billion outstanding. New Zealand's gross international liabilities were \$335.8 billion in June, against \$186.1 billion in overseas assets. At March 2014, 50.8 percent of New Zealand's international liabilities were due to the finance sector, and 69.4 percent of New Zealand's international assets.
- ★ [Overseas Merchandise Trade](#) for the month of August saw exports of goods rising 6.9 percent from the same month last year while imports fell 12 percent, creating a trade deficit for the month of \$472 million or 13 percent of exports. In seasonally adjusted terms, exports rose 15.2 percent or \$573 million over the month (compared to a 9.3 percent fall the previous month) influenced by significant rises in all main exports except Fruit which fell 1.3 percent and Aluminium which fell 7.8 percent (not seasonally adjusted). Logs and wood products were static. Dairy (up 5.0 percent), Meat (up 7.8 percent), Crude oil (up 87.9 percent, not seasonally adjusted), Mechanical machinery and Equipment (up 9.5 percent), Seafood (up 7.1 percent), Wine (up 4.7 percent) and Electrical

machinery and equipment (up 8.2 percent) all rose. Seasonally adjusted imports fell 2.8 percent or \$115 million, creating a trade surplus of \$328 million compared to a \$361 million deficit in the previous month. Exports to China rose 46.3 percent in the year to August and fell 3.8 percent to Australia. Our top six export destinations accounted for 60.4 percent of our exports in the year (of which China accounts for 22.6 percent), compared to 59.6 percent in the previous year (China 17.4 percent). Imports from China rose 3.7 percent in the same period, and fell 8.8 percent from Australia.

- ★ The [Performance of Manufacturing Index](#)<sup>1</sup> for August 2014 was 56.5, a rise from 53.5 in July and 53.7 in June. The employment sub-index was at 53.2, up from 51.5 in July and 52.8 in June.
- ★ The [Performance of Services Index](#)<sup>1</sup> for August 2014 was 57.9, down from 58.4 in July but up from 55.2 in June. The employment sub-index rose to 56.0 from 54.4 in July and 52.8 in June.
- The [Retail Trade Survey](#) for the three months to June 2014 showed retail sales rose 1.2 by volume and 1.0 percent by value in the quarter compared with the March 2014 quarter, seasonally adjusted. By volume, the largest positive contributors to the increase were Motor-vehicle and parts retailing, Food and beverage services Accommodation, Electrical and electronic goods retailing, and Hardware, building and garden supplies. Clothing, footwear and accessory retailing and fuel retailing fell.
- ★ On 11 September 2014 the Reserve Bank left the [Official Cash Rate](#) (OCR) at 3.50 percent. Its Monetary Policy statement forecast lower wage growth than Treasury did in its pre-election forecast, and while Treasury forecast unemployment would fall to 4.5% by 2018, the Reserve Bank forecasts it won't get lower than 5% and will rise to 5.2% between 2015 and 2017, which is similar to the consensus forecast above. The next OCR review will be announced on 30 October.
- ★ The [REINZ Housing Price Index](#) rose 1.1 percent in the month of August 2014. Auckland rose 0.4 percent, Christchurch fell 0.8 percent and Wellington rose 5.5 percent. The index was up 4.8 percent compared to August 2013. For the year, Auckland prices rose 5.8 percent, Christchurch rose 11.0 percent and Wellington rose 2.8 percent. The national median house price rose \$4,000 (1.0 percent) from \$416,000 in July to \$420,000 in August. It is \$30,000 or 7.7 percent higher than a year ago with median prices rising in seven regions. Auckland accounted for 70 percent of the increase, Canterbury/Westland 16 percent and Waikato/Bay of Plenty 6 percent. The three regions accounted for 92 percent of the increase in median prices during the year. There were 883 or 24.8 percent fewer sales under \$400,000 compared to August 2013, but a rise of 3 to 368 in the \$1 million plus range and 39 fewer (to 1,123) in the \$600,000 to \$999,999 range. Sales under \$400,000 accounted for 46.0 percent of sales in August 2014 but 51.3 percent in August 2013.

## Employment

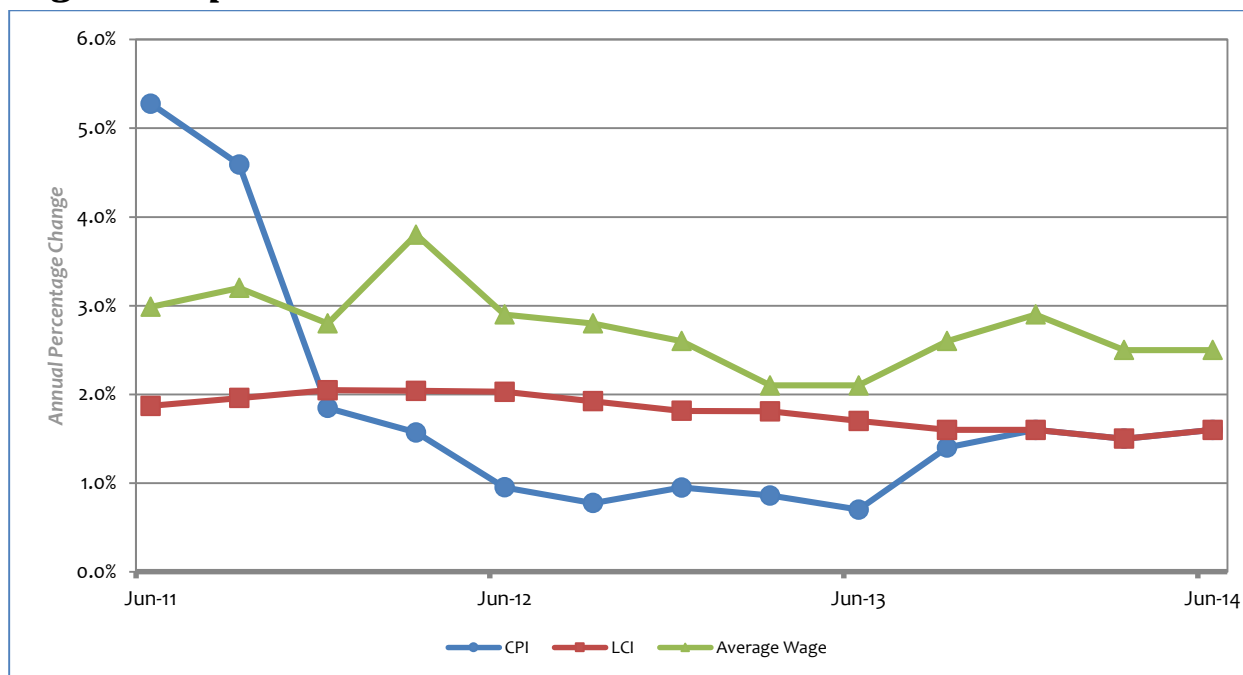


- According to the [Household Labour Force Survey](#) the unemployment rate in the June 2014 quarter fell to 5.6 percent from a revised 5.9 percent in March. Seasonally adjusted female unemployment at 6.4 percent was higher than for men (4.8 percent) and unchanged from March (male unemployment was 5.5 percent in March). The unemployment rate in Canterbury was 2.8 percent, down from 4.4 percent in June 2013. Of the increase in employment, 71 percent occurred in Auckland and Canterbury, as did 77 percent of the increase in the labour force with Canterbury accounting for 49.5 percent of the increase in the labour force and 61.3 percent of the increase in the working age population. There were 137,000 people unemployed and the number of jobless people (which includes those discouraged from seeking employment) was 236,500, 8,900 below the 245,400 a year before. There were 98,200 people seeking additional hours, a sharp increase from 87,500 a year previously. Māori unemployment fell from 12.8 percent in June 2013 to 11.0 percent in June this year and Pacific unemployment fell from 16.3 percent in June 2013 to 11.4 percent. The labour force participation rate at 68.9 percent is up 0.7 percentage points from the previous quarter and up 0.8 percentage points for the year. There are 36,600 unemployed people who have been out of work for more than 6 months (down from 37,900 in June 2013), but as a proportion of the unemployed they have risen from 25.6 percent to 27.7 percent over the year. Those out of work for more than a year have risen from 10.0 percent of the unemployed to 11.7 percent over the year. Compared to OECD unemployment rates, New Zealand has improved from 11<sup>th</sup> position in March 2014 to 9<sup>th</sup> (out of 34 countries).
- Youth unemployment (15-19 year olds) was 20.7 percent, down from 21.9 percent in March and from 23.8 percent a year before, in seasonally adjusted terms. It was almost the same among those in education (20.7 percent) as those not (20.8 percent), and the 11,000 increase in employment over the year was almost equally split between people in education (6,000 increase) and those not (5,000). The not in employment, education, or training (NEET) rate fell from 8.8 percent in March to 7.4 percent. The unemployment rate among 20-24 year olds was 10.9 percent, down from 12.2 percent in the March quarter and 11.5 percent a year before, again in seasonally adjusted terms.

The NEET rate was 14.5 percent, down from 14.7 percent in the previous quarter but up from the 14.1 percent in September 2013, and down from 15.9 percent a year ago. There were 71,000 people aged 15-24 years who were not in employment, education, or training (NEET), which is 11.1 percent of people in that age group, down from 11.9 percent in March and 12.1 percent a year before.

- The [Ministry of Social Development](#) reports that at the end of June 2014 there were 121,131 working age people on the Jobseeker benefit, a fall of just 822 from 121,953 in March 2014 and a fall of 7,477 from June 2013. Of those at June 2014, 65,321 were classified as 'Work Ready', and 55,810 were classified as 'Health Condition or Disability'. A total of 293,586 were on 'main' benefits, just 1,734 fewer than March 2014 and 16,196 fewer than June 2013. It was 35,269 more than in June 2008.
- ★ [Job Vacancies Online](#) showed a seasonally adjusted rise in skilled job vacancies of 2.3 percent in August after a sharp fall of 4.7 percent in July. All job vacancies rose by 0.3 percent in August, after a fall of 2.7 percent in July. In the year to August, skilled vacancies rose 12.6 percent. All vacancies rose by 11.5 percent.
- ★ [International Travel and Migration](#) data showed 9,490 permanent and long-term arrivals to New Zealand in August 2014 and 4,780 departures in seasonally adjusted terms, a net gain of 4,710. There was an actual net gain of 43,483 migrants in the year to August. Net migration to Australia in the year to June was 6,457 departures, with 29,051 departures and 22,594 arrivals. For the month of August, the seasonally adjusted net loss to Australia was 150 compared to 1,110 a year before.

## Wages and prices

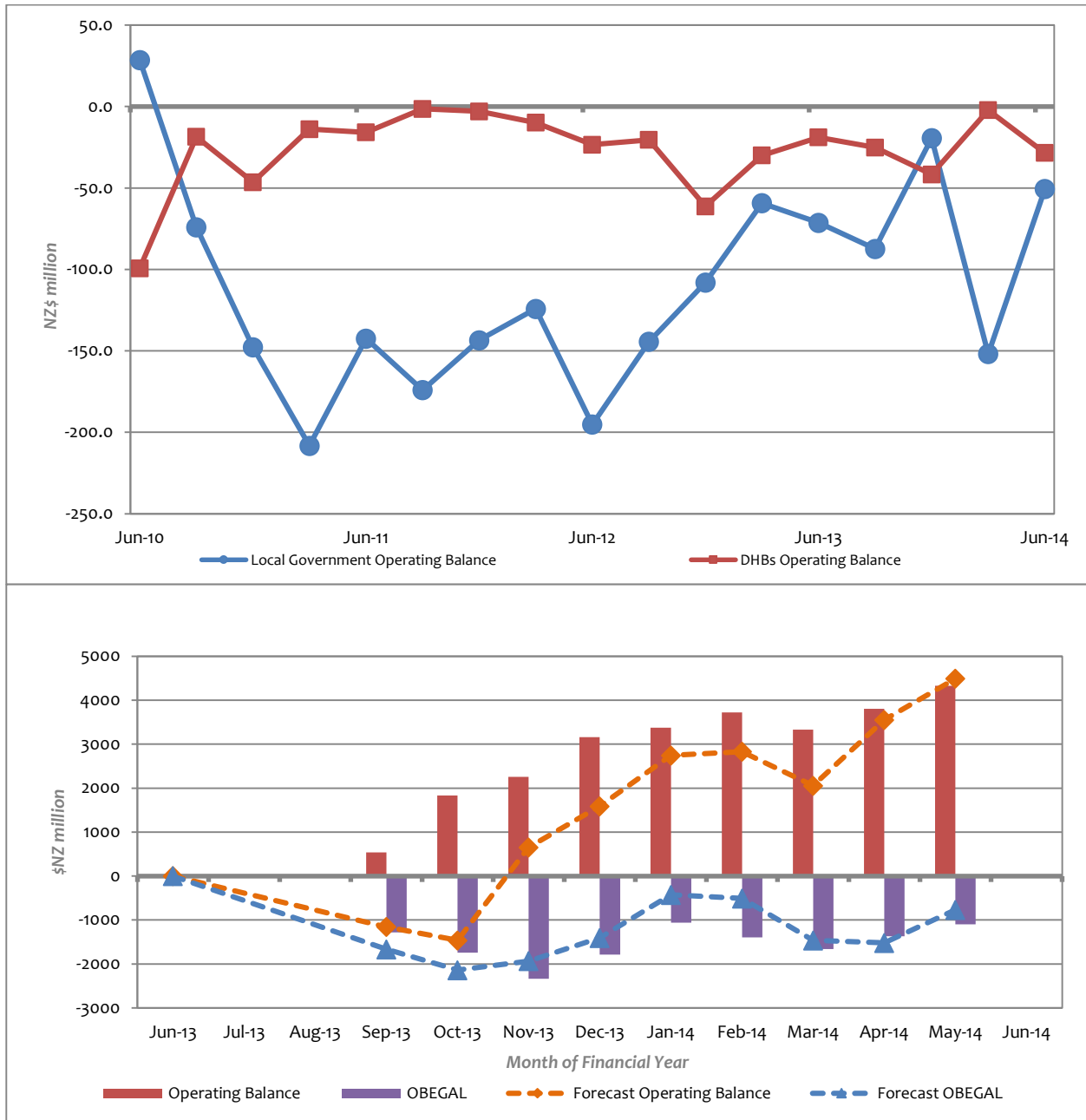


- The [Labour Cost Index](#) (LCI) for salary and ordinary time wage rates rose 0.5 percent in the three months to June 2014. The LCI increased 1.6 percent in the year to June, the same as the CPI. It increased 0.3 percent in the public sector and 0.6 percent in the private sector in the three months

to June. Over the year to June it rose 1.2 percent in the public sector and 1.8 percent in the private sector. During the year, 43 percent of jobs surveyed did not receive a pay rise. For the 57 percent of those surveyed who received an increase in their salary or wage rate during the year, the median increase was 2.4 percent and the average increase was 3.1 percent. The median increase in the public sector was 2.0 percent and in the private sector 2.5 percent.

- The [Quarterly Employment Survey](#) for the three months to June 2014 found the average hourly wage for ordinary-time work was \$28.23, up 0.2 percent on the March quarter and up 2.5 percent over the year. The average ordinary-time wage was \$26.29 in the private sector (up 0.5 percent in the quarter and up 3.1 percent in the year) and \$35.28 in the public sector (down 1.6 percent in the quarter and up 1.3 percent in the year). Female workers (at \$26.13) earned 12.9 percent less than male workers (at \$30.00) for ordinary time hourly earnings.
- The [Consumer Price Index](#) rose 0.3 percent in the June 2014 quarter compared with the March 2014 quarter and increased 1.6 percent for the year to June. For the quarter, Housing and household utilities were the largest influence, rising 1.2 percent with household energy (mainly electricity) rising 3.7 percent in the quarter. Over the year, exactly half of the increase came from housing and household utilities which rose 3.4 percent and without which the CPI would have risen only 1.0 percent. While prices rose by 0.3 percent on average in the three months to June, housing and household utilities rose at four times the rate at 1.2 percent, accounting for 88 percent of the increase in the CPI. They rose by 0.7 percent in Auckland, 1.8 percent in Wellington and 1.6 percent in Canterbury. The cost of newly built houses rose 1.2 percent and rents rose 0.6 percent. Electricity was up 4.2 percent. The other major contributor in the quarter was Food (contributing over half at 53 percent of the rise) but these rises were offset by falls in Alcohol and tobacco, Transport (especially purchases of cars), Communications, and Recreation and culture (mainly due to big falls in the prices of package holidays and audio-visual and computing equipment). Inflation in Canterbury for the year was 2.4 percent compared with 2.1 percent in Wellington and 1.5 percent in Auckland. Housing costs hit particularly hard in Canterbury, rising 5.7 percent for the year compared to 2.7 to 3.6 percent elsewhere.
- ★ The [Food Price Index](#) rose by 0.3 percent in the month of August 2014, following a 0.7 percent fall in July. Food prices rose 0.7 percent in the year to August 2014. Compared with July, fruit and vegetable prices rose 5.1 percent; meat, poultry, and fish prices fell 0.3 percent; grocery food prices fell 1.5 percent; non-alcoholic beverages rose 2.0 percent; and restaurant meals and ready-to-eat food rose 0.2 percent.

## Public Sector



- According to Treasury's [Financial Statements of the Government of New Zealand](#) for the eleven months to May 2014, core Crown tax revenue was \$459 million or 0.8 percent lower than forecast in the May Budget Economic and Fiscal Update (BEFU), and total core Crown revenue was \$432 million or 0.7 percent below forecast. Expenses were \$36 million (0.1 percent) below forecast. Net debt at 26.2 percent of GDP (\$59.5 billion) was \$453 million lower than the forecast \$59.0 billion. The Operating Balance before Gains and Losses (OBEGAL) was a \$1,099 million deficit, \$332 million higher (worse) than forecast. The Operating Balance was a \$4,328 million surplus compared to a forecast surplus of \$4,493 million. Tax revenue, though 4.6 percent higher than in the eleven months to May 2013, was below forecast because both GST (\$238 million) and corporate tax (\$120

million) were lower than expected. The lower GST was due to lower than forecast growth in consumption. The strong Operating Balance was mainly due to “continuing strength in equity markets” – rising share prices leading to gains on financial investments of \$4.8 billion, \$1.4 billion ahead of forecast. These were partially offset by an increase in ACC’s insurance liability due to falls in short-term interest rates affecting their discount rate.

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

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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/economicbulletin161>.*

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