



NEW ZEALAND COUNCIL OF TRADE UNIONS

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Commentary

Inequality, incomes, jobs and insecurity – new NZ evidence

Summary

This reports some interesting new research from the 2015 New Zealand Association of Economists conference at the beginning of this month.

- CEO pay went up by 85% between 1995 and 2014 after taking account of firm size and inflation, and “management bloat” increased too. Real average wages increased at a quarter of the rate – just 22% in the same period.
- Household income inequality rose steeply between the mid 1980s and mid 1990s but, unlike the annual Ministry of Social Development reports on household income inequality, this study finds it fell somewhat during the 2000s before an apparent rise again from 2010. The Employment Contracts Act is identified as a factor.
- It isn't small firms that increase the number of jobs in New Zealand: it's new firms.
- Almost all of the wage gap between temporary and permanent workers appears to be due to occupation and industry with a lesser impact from personal characteristics (such as qualifications, age, and sex) but this work is still in draft and is unable to remove the effect of the 8% annual leave loading which many temporary workers will have.
- Increased job uncertainty and insecurity reduce job satisfaction.
- People in insecure jobs are less likely to get employer sponsored training.
- Young people who left school without NCEA 2 but went on to tertiary study to gain similar qualifications had an employment advantage if (and only if) they completed the qualification – but they did not receive higher earnings for it.
- Pacific workers in Auckland are over-represented in low skill and community work occupations and under-represented in high skilled occupations. However there is a growing proportion with higher levels of education. In 2013, the average age of Pacific workers was 26 compared to an average of 35 for Auckland overall.

Each year I attend the annual conference on the New Zealand Association of Economists. This year's conference at the beginning of July had some very interesting papers about things we're all concerned about including inequality in New Zealand, wages and part-time work, the impact of insecure jobs, and whether small businesses really are the “engine room of job growth”. There was also a preliminary report of research on 90-day trials but unfortunately it cannot be reported until finalised, probably late this year.

Tip of the iceberg? Top Pay in New Zealand listed companies 1995-2014

Tim Hazledine [I have a copy of the paper]

CEO pay went up by 85% between 1995 and 2014 after taking account of firm size and inflation, and “management bloat” increased too. Real average wages increased at a quarter of the rate – just 22% in the same period.

This study looks at the huge increases in top executive pay reported in annual reports of listed companies from 1995 to 2014, and top management bloat. Listed companies were required to report pay above \$100,000 from 1995. Only 110 companies have lasted right through. They constitute about 5% of GDP.

CEO pay has gone up by 85% over this period, controlling for firm size and inflation. Real average wages increased 22% in the same period. Hazledine finds no relationship between CEO pay and firm profitability but it seems that CEOs in both highly profitable and highly unprofitable (loss-making) firms get the highest pay. There is a further premium of about 30% for a CEO in the “FIRE” (Finance, Insurance, Real Estate) sector compared to CEOs in the “real” economy.

CEO pay goes up not only with firm size (double the firm size and CEO pay goes up by 30%), but also with the number of managers reporting to him or her. The total pay of all the top managers (employees receiving \$150,000 or more in 2014 dollar terms) has risen even faster than CEO pay over this period, ending up double what it was in 1995. But the pay of managers below CEO level is unrelated to firm size. This implies bloat in management numbers.

CEO pay levels are independent of whether labour productivity rose. There was little or no increase in productivity in terms of labour or use of materials (labour productivity rose just 6% in these companies over the 19 year period), and a slight decline in capital productivity. So the greatly increased pay of CEOs and top managers, and in the increase in number of top managers, achieved little in terms of contribution to GDP per capita through labour productivity increases.

It was noted in discussion that Scandinavia and Japan have similarly increased the number of managers but without the large pay increases.

Inequality in New Zealand 1983/84 to 2013/14

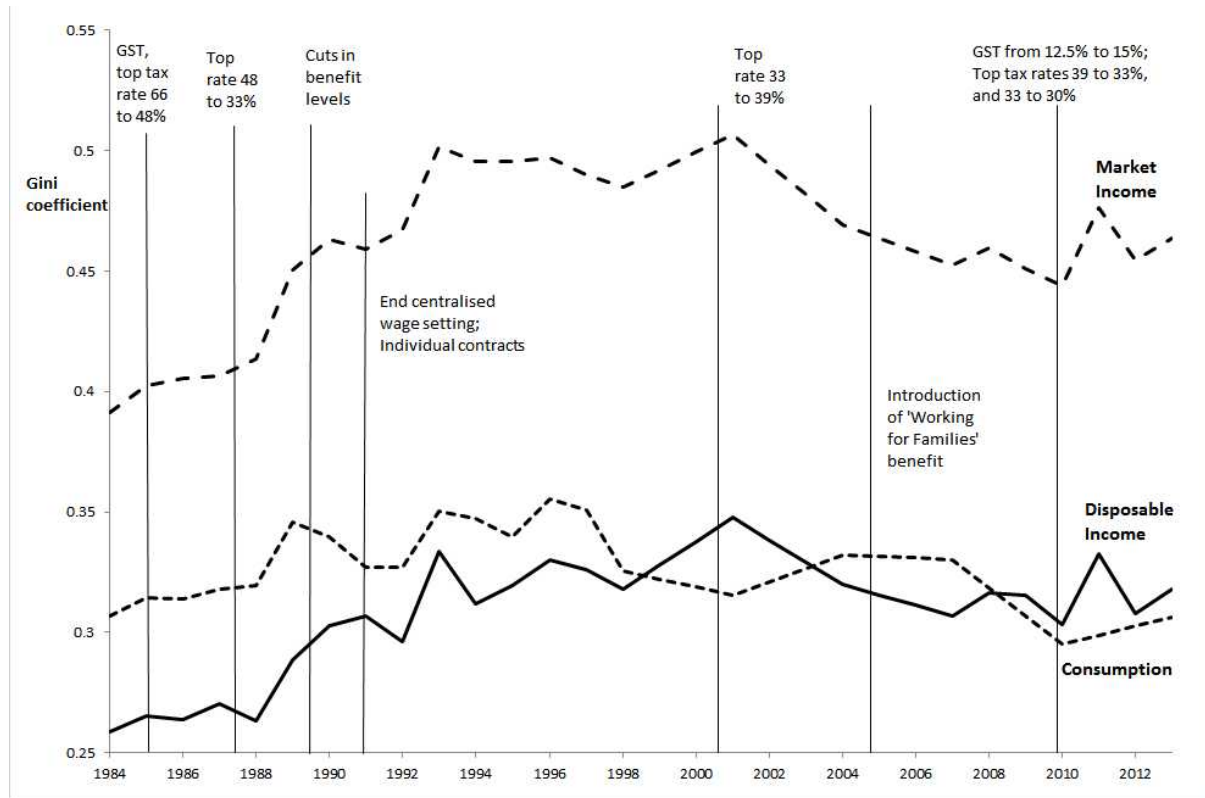
Christopher Ball, John Creedy

Available at: <http://www.treasury.govt.nz/publications/research-policy/wp/2015/15-06/>

Household income inequality rose steeply between the mid 1980s and mid 1990s but, unlike the annual Ministry of Social Development reports on household income inequality, this study finds it fell somewhat during the 2000s before an apparent rise again from 2010.

Unlike the MSD reports which look only at disposable income (after tax and transfers such as social welfare benefits), this analysis also looks at inequality before tax and transfers (‘market income’) and by expenditure (‘consumption’). The study identifies the end of centralised wage setting and the move to individual contracts (i.e. the Employment Contracts Act) as one of the likely causes of increased market income inequality. Income before taxes and transfers shows a steep increase in inequality from 1991 to 1993 (see graph below, Figure 4 in the paper). The rise in expenditure inequality is much gentler than for

income equality, and it falls more quickly in the 2000s. One reason could be that households borrowed to maintain expenditure (“consumption smoothing”) but the expenditure data has problems which make it difficult to draw conclusions. The study differs from the MSD report by Bryan Perry in using some different assumptions such as how population groups are weighted.



Who Creates Jobs in New Zealand? Small vs. Young vs. Large

Lydia Cheung, Geoffrey Brooke [I have a copy of the slides]

It isn't small firms that increase the number of jobs in New Zealand: it's new firms.

It's commonly said that small firms create most of the jobs in New Zealand. However this doesn't take into account job destruction (it is *net* job creation that is important) nor the age of firms. This research replicates a US study by Haltiwanger, Jamin and Miranda¹ which found that once firm age has been taken into account, there is no systematic relationship between firm size and job growth. Cheung and Brooke find the same result as the US, but an even stronger job creation effect from *young* firms. Small firms do not create more net jobs after controlling for age. They are also much more likely to exit (go out of business). But there are fewer exits than in the US, suggesting the New Zealand environment is less competitive.

¹ Haltiwanger, J., Jarmin, R. S., & Miranda, J. (2012). *Who Creates Jobs? Small versus Large versus Young*. Review of Economics and Statistics, 95(2), 347–361. http://doi.org/10.1162/REST_a_00288

The slide below is taken from their presentation. Note the comments and the big red triangle of negative values (net job losses) on the bottom left of the table – those are the small but older firms shrinking through net job loss.

NZ Net Job Creation by Age- and Size-Buckets, 2005

Age	Size (Current Average of 2004 and 2005)											Total
	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000-2499	2500-4999	5000+	
0-1	10269	5187	4434	3336	2436	2733	*	*	0	0	0	33399
2	-663	747	801	600	495	174	*	*	*	0	0	2973
3	-2127	81	162	498	489	66	903	*	0	*	*	336
4	-1488	-255	-120	507	177	210	-216	1098	*	*	0	-78
5	-1020	-120	-321	87	246	27	132	231	*	*	0	-804
6-10	-4077	-972	-492	-414	285	660	-114	780	2979	*	*	-588
11-15	-1842	-225	-249	-39	435	-474	228	30	495	1101	1260	720
16-20	-2793	-981	-1350	-1935	186	363	630	741	-363	-765	1617	-4653
21-25	-618	-192	84	-168	-858	234	-129	-414	333	1059	282	-384
26+	-993	-306	-432	-390	-447	90	225	657	-1884	111	4677	1311
Total	-5352	2967	2517	2076	3447	4077	4422	5874	1839	1401	8967	32232

Because of the **negative** cells, statements like “small business account for X% net job creation” are problematic!
 (Equally problematic if you only cite gross job creation)

Cheung, Brooke (AUT) Who Creates Jobs in NZ? 10 / 25

Insecure work

The following three papers are part of a research project in which I am also involved.

The wage gap between temporary and permanent jobs

Gail Pacheco and Bill Cochrane

Gail and Bill are continuing to work on this so it is still only a draft result. They are analysing the wage gap using two different methodologies.

In the first, when comparing wages between temporary and permanent workers, and accounting for personal characteristics (such as qualifications, age, and sex); job related characteristics, and occupation and industry – they find much of the wage gap is attributable to these observed characteristics. There is very little left over as unexplained. More of the wage gap is attributable to occupation and industry than to personal characteristics.

They also compare matched permanent and temporary workers (“propensity score matching”), and their latest results find a pay penalty of around 15 percent against temporary workers (which varies substantially over different types of temporary employment – fixed term contracts, casual, seasonal or

temporary agency work). However, at this stage, the propensity score matching has not been able to control for occupation and industry; only personal characteristics.

However, their data doesn't allow them to distinguish the actual wage rate from wages plus the 8% annual leave loading which many temporary workers (especially casuals) would get. So that may add to the wage rate difference.

There is also the possibility that there is an "ageing" effect: temporary work could do two things – be a step up into permanent work, or trap people in low paid occupations or industries. To the extent that the latter is true, explaining the gap through the above factors may not tell the full story.

Job satisfaction and job security

Phil Morrison

Increased job uncertainty and insecurity reduce job satisfaction.

This study finds a hockey-stick (mirror "J") shaped relationship between job satisfaction and security: satisfaction is highest when the job is most secure. It falls as the likelihood of losing one's job increases, and then rises slightly as it becomes more and more certain that the job will go. So it seems to be a response to uncertainty as well as to insecurity. There is also higher job satisfaction when unemployment is lower – which is logical because jobs are more secure and certain when unemployment is lower. Personality also comes into it. The study uses data from the Statistics New Zealand Survey of Working Life which measures job satisfaction only for permanent workers. It relates only to loss of job for reasons beyond their control.

While this study had to be limited to permanent workers, another study¹ shortly to be published in the *Australian Journal of Labour Economics* analyses German data and confirms falling job satisfaction with greater insecurity but finds it is related not to the nature of employment agreements as such (it looks at three types: permanent, fixed-term and temp agency) but the perception the worker has of insecurity. Insecurity is bad for job satisfaction, a measure of job quality, in any kind of job.

Precarious work and employer sponsored training

Stephen Blumenfeld

People in insecure jobs are less likely to get employer sponsored training.

Workers are *more* likely to get training if they are

- Employed in secure work:
- Highly educated
- Work more hours per week
- Working without pay in a family business (get lots of training!)

Training is *less* likely for

- workers on 90 day trials (31% less)
- seasonal workers (39% less)
- people in insecure work (41% less)

¹ Jahn, E. (2015). Don't Worry, be Flexible? - Job Satisfaction among Flexible Workers. *Australian Journal of Labour Economics*, 18(2) (forthcoming).

The research used both the March 2008 and December 2012 Statistics New Zealand Surveys of Working Life. It was not possible to analyse by firm size, which is a problem because other studies show less training in small firms. There was more training in the Dec 2012 survey than March 2008 - perhaps because of uncertainty in the economy in 2008.

The impact of tertiary study on labour market outcomes of low qualified school leavers

Sarah Tumen, Sarah Crichton and Sylvia Dixon

Available at: <http://www.treasury.govt.nz/publications/research-policy/wp/2015/15-07>

Young people who left school without NCEA 2 but went on to tertiary study to gain similar qualifications had an employment advantage if (and only if) they completed the qualification – but they received no higher earnings for it.

This looks at employment and earnings of 16-19 year olds who left school without NCEA level 2 and enrolled in tertiary education within the first few years after leaving school. (In 2013 about one in four or 26% left without level 2.) The Government has a goal of increasing the proportion of young people who obtain either the NCEA level 2 certificate at school or equivalent post-school qualifications (level 1-3 certificates) by the age of 18. About 30% of these school leavers completed a level 1-3 certificate and 14% a level 4 or higher – only 44% in all.

The results show those who completed qualifications had an employment advantage but received no higher earnings. Attending tertiary *without* completing qualifications had no impact on employment or earnings. Students who *completed* a level 1–3 certificate were 8.5 percentage points more likely to be employed and 6.4 percentage points less likely to be receiving a benefit than matched people who left school without NCEA level 2 but didn't go to tertiary. The employment advantage was slightly higher for those who completed a qualification at level 4 or higher. However, they found no evidence that tertiary qualifications raised students' levels of earnings. They had the same average monthly earnings as matched people who didn't undertake tertiary study.

Pacific People in Auckland: Labour Market Insights from the 2013 Census and Implications on Labour Market

Penelope Tuatagaloa

Available at: http://cdn-asset-lax-1.airsquare.com/nzae/library/penelope_tuatagaloa.pdf

This uses 2013 Census data to describe what Pacific workers do in Auckland. For example Pacific workers are over-represented in low skill occupations and community workers and under-represented in high skilled occupations. Only 12 per cent of Pacific workers aged 15-24 years in Auckland worked in highly skilled occupations, compared to 21 per cent for young Auckland people overall. However there is a growing proportion with higher levels of education. The average age of Pacific workers is 26 compared to 35 for Auckland overall in 2013.

Bill Rosenberg

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

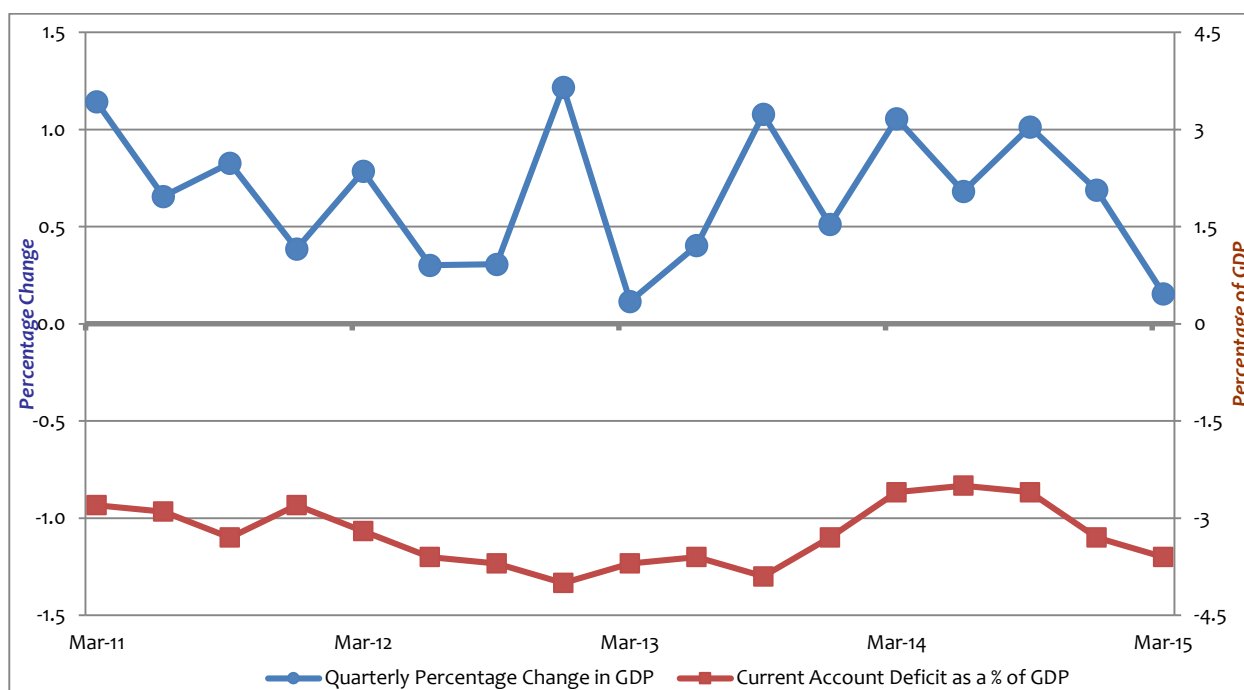
Forecast

● This [NZIER forecast](#) was released on 15 June 2015.

Annual Percentage Change (March Year)	2014-15	2015-16	2016-17	2017-18
GDP	3.2	2.8	2.7	2.4
CPI	0.1	1.6	1.9	2.0
Private Sector average wage	2.4	2.6	3.0	3.0
Employment	3.2	2.3	1.8	1.1
Unemployment rate	5.8	5.5	5.2	5.3

Actuals in red.

Economy



- Growth in New Zealand's economy slowed in the March 2015 quarter, with [Gross Domestic Product](#) rising by 0.2 percent, compared to quarterly increases of 0.7 percent in December 2014 (revised down from 0.8 percent), 1.0 percent in September, 0.7 percent in June, and 1.1 percent in March 2014. The slow growth in the quarter, much lower than expected by Treasury and other forecasters, was mainly due to a fall in activity in agriculture (down 2.3 percent) due to lower milk production. Growth for the year ended March 2015 was 3.2 percent while the March quarter was 2.6 percent up on the same quarter in 2014. However GDP per person is barely increasing by some measures: it fell 0.4 percent in the quarter in real terms, though it rose 0.5 percent in dollar terms. Real gross national disposable income per capita, which takes into account the income that goes overseas in interest and dividends to overseas investors and the falling prices for some of our main exports, rose 0.6 percent having fallen 1.1 percent in the previous quarter and 0.3 percent in the three months before that. Growth in GDP per capita is flat lining at a level around the lowest it was during the 2000s before the Global Financial Crisis hit, separating from GDP growth due to the strong population growth driven by high net immigration. The largest quarterly rises by industry were in Arts and recreation services (up 5.9 percent), Administrative and support services (up 3.9 percent), Wood and paper products manufacturing (up 2.3 percent), Textile, leather, clothing, and footwear manufacturing (up 2.8 percent) and Accommodation and food services (up 2.7 percent). Construction was up 2.5 percent after a fall in the previous three months. There were significant falls in Printing (down 8.5 percent), Mining (down 7.8 percent), Furniture and other manufacturing (down 3.9 percent), Information media and telecommunications (down 2.8 percent), as well as Agriculture. Manufacturing was down 0.3 percent overall, with its largest sector, Food, beverage, and tobacco manufacturing, down 1.6 percent. The result was that Primary Industries fell 2.9 percent, Goods producing industries (which includes Construction) rose 0.6 percent and Service industries rose 0.7 percent. Over the year (comparing March quarters), all industries expanded except Forestry and Logging (down 2.5 percent), Textile, leather, clothing, and footwear manufacturing (down 1.2 percent), and Printing (down 1.4 percent). Non-metallic mineral product manufacturing (up 11.0 percent) and Construction (up 10.2 percent) led the expansion. Household consumption expenditure rose 0.7 percent in real terms in the quarter and 3.6 percent from the March 2014 quarter. Expenditure on non-durable goods (such as groceries) rose 0.6 percent in real terms during the quarter and rose 2.0 percent during the year while durables (such as appliances) boomed at 3.1 percent growth in the quarter and 8.7 percent growth over the year. Business investment fell 2.8 percent in the quarter but rose 4.6 percent from the previous March quarter. There were falls in expenditure on Construction other than buildings (down 6.7 percent) and Land improvements (down 0.5 percent), while expenditure on Residential buildings increased strongly at 12.3 percent and Non-residential buildings at 13.1 percent.
- New Zealand recorded a [Current Account](#) deficit of \$1.8 billion for the March 2015 quarter in seasonally adjusted terms (\$3.2 billion actual), compared to a \$2.5 billion deficit in the December 2014 quarter. There was another deficit, though small, in the goods trade (\$90 million, seasonally adjusted, following a \$403 million deficit in the December quarter) and a surplus of \$604 million (\$225 million in December) in goods and services, while the deficit on income (mainly payments to overseas investors) fell to \$2.4 billion from \$2.8 billion. For the year to March 2015, the current account deficit was \$8.6 billion or 3.6 percent of GDP compared to a \$7.8 billion deficit in the year to December (3.3 percent of GDP). The deficit on investment income was \$9.9 billion.
- The country's [Net International Liabilities](#) were \$153.5 billion at the end of March 2015 (64.2 percent of GDP) down from \$154.6 billion (65.0 percent of GDP) at the end of December 2014, and

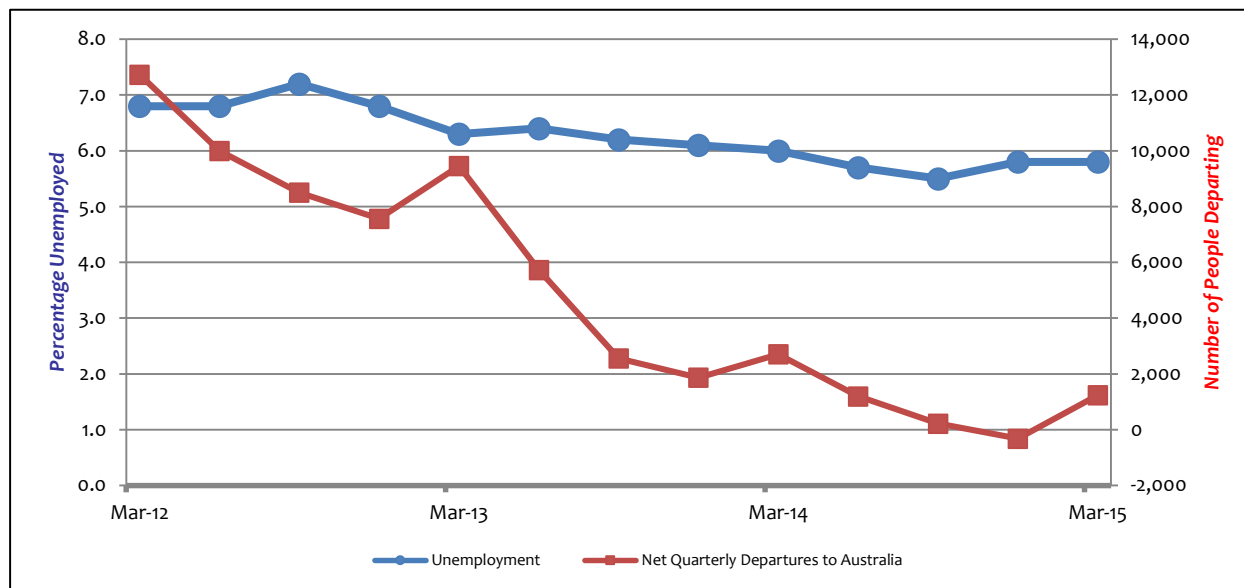
up from \$150.1 billion (65.5 percent of GDP) in March 2014. The fall in net liabilities in the quarter was due to changes in the market valuation of assets and liabilities, partly offset by a \$2.0 billion inflow of investment. Without the market value changes, the net liabilities would have been \$152.6 billion. Assets rose in value from \$198.0 billion to \$213.6 billion partly because of exchange rate and valuation changes (\$9.8 billion) and partly due to financial flows (\$5.8 billion). Liabilities rose from \$352.6 billion to \$367.2 billion with financial inflows accounting for \$3.8 billion and valuation changes \$10.8 billion (but only \$0.7 billion of this was due to exchange rate changes). New Zealand's international debt was \$271.8 billion (113.7 percent of GDP), of which 38.6 percent is due within 12 months, compared to \$128.7 billion in financial assets (other than shares; 53.8 percent of GDP), leaving a net debt of \$143.1 billion. Of the net debt, \$10.1 billion was owed by the government (equivalent to 4.2 percent of GDP and down from \$12.3 billion in December 2014) and \$102.3 billion by the banks (42.8 percent of GDP), which owed \$57.7 billion to related parties. Total insurance claims owed by overseas reinsurers from the Canterbury earthquakes are estimated at \$20.2 billion, and at 31 March 2015, \$16.4 billion of these claims had been settled, leaving \$3.8 billion outstanding.

- ★ [Overseas Merchandise Trade](#) for the month of June saw exports of goods rise 1.3 percent from the same month last year while imports rose 9.0 percent. This created a trade deficit for the month of \$60 million or 1.4 percent of exports. In seasonally adjusted terms, exports fell 4.4 percent or \$182 million over the month (compared to a 3.7 percent rise the previous month) influenced by falls in Dairy (3.6 percent or \$34 million), Seafood (down 4.0 percent or \$5 million), Wine (down 10.9 percent or \$15 million) and Electrical machinery and equipment (down 7.0 percent or \$6 million), but offset by rises in Meat products (up 2.4 percent or \$13 million), Logs, Wood and Wood articles (up 51.6 percent or \$132 million), Crude oil (up 50.6 percent or \$29 million, not seasonally adjusted), Fruit (up 3.0 percent or \$6 million) and Aluminium (up 17.0 percent or \$14 million, not seasonally adjusted). Seasonally adjusted imports rose 5.0 percent or \$209 million over the previous month, creating a trade deficit of \$374 million compared to a \$16 million surplus in the previous month. Imports rose all the top categories, led by Mechanical machinery and equipment which rose 24.8 percent or \$124 million. Our top six export destinations accounted for 58.8 percent of our exports in the year (of which China accounts for 17.1 percent and Australia 17.5 percent), compared to 60.2 percent in the previous year (China 22.6 percent, Australia 17.5 percent). However China remains top importer with \$9,333 million of imports in the year to June compared to Australia at number two with \$6,285 million and the trade balance with China has moved from a \$3,113 million surplus in the year to June 2014 to a deficit of \$1,063 million in the year to June 2015, a turnaround of \$4.2 billion. Imports from China rose 10.3 percent in the year to June, and rose 2.5 percent from Australia, and in the month imports from China rose 29.8 percent while imports from Australia fell 0.5 percent compared to the same month in the previous year.
- ★ The [Performance of Manufacturing Index](#)¹ for June 2015 was 55.2, a sharp rise from 52.0 in the previous month. The employment sub-index was at 54.2, also a strong rise from 51.7 in the previous month.
- ★ The [Performance of Services Index](#)¹ for June 2015 was 58.2, a small rise from 58.1 in the previous month. The employment sub-index fell to 54.2 from 56.3 in the previous month.
- The [Retail Trade Survey](#) for the three months to March 2015 showed retail sales rose 2.7 by volume (the largest percentage increase since December 2006) and 1.7 percent by value (a record increase

since the series began in September 2003) compared with the December 2014 quarter, seasonally adjusted. By volume, the largest positive contributors to the increase were Electrical and electronic goods, Hardware, building and garden supplies, Supermarket and grocery stores, Accommodation, Department Stores, Food and beverage services, and Non-store and commission retailing (which includes internet purchases). Sales volumes rose in all sectors.

- ★ On 23 July 2015 the Reserve Bank reduced the [Official Cash Rate](#) (OCR) by 0.25 percentage points to 3.0 percent and signalled that there could be further reductions. Despite the fall in the exchange rate, it said “further depreciation is necessary given the weakness in export commodity prices”. Inflation will depend on how much the increased import costs resulting from devaluation of the dollar are passed through to consumers, but it expects it to be back around 2% by early 2016. The next OCR review will be announced on 10 September 2015 and will be accompanied by a Monetary Policy Statement.
- ★ According to [REINZ](#), the national median house price rose \$23,000 or 5.4 percent to \$450,000 in June 2015 compared to a year before. However it is \$10,000 or 2.2 percent lower than in May. The Auckland median price rose 26 percent over the year, from \$600,000 to \$755,000 and excluding Auckland the national median price was \$340,000, the same as a year before but down \$9,000 (2.6 percent) compared to May. There were 586 or 22.7 percent more sales under \$400,000 compared to June 2014, taking the number to 3,166, a rise of 431 (107.7 percent) to 835 in the \$1 million plus range and 504 more (43.6 percent) to 1,660 in the \$600,000 to \$999,999 range. Sales under \$400,000 accounted for 42.6 percent of sales in June 2015 but 44.9 percent in May 2014.
- [Productivity](#) statistics released in June 2015 for the “measured sector” (similar to the market or commercial sector, and 77 percent of the economy) for the year to March 2014 show labour productivity rose 1.4 percent in the year, capital productivity fell 0.3 percent and multifactor productivity (what is unaccounted for by labour or capital) rose 0.6 percent. From 1996 to 2014, Australia’s rate of labour productivity growth averaged 2.3 percent a year, considerably higher than the average 1.5 percent increase a year in New Zealand. The 1.4 percent increase in labour productivity in the year to March 2014 means that real wages in the measured sector fell further behind productivity growth that year. The average hourly wage (including overtime) rose only 0.9 percent that year after consumer prices are taken into account (that is, from the point of view of workers’ cost of living) and fell an estimated 1.8 percent after producer prices are taken into account (that is, from the point of view of the increase in revenue received by their employers, or what they could afford to pay). So wages fell 0.5 percent or 3.2 percent behind productivity growth depending on how real wages are measured. Since the bottom of the recession in 2009, real wages have fallen behind labour productivity growth by between 5 percent and 6 percent depending on how they are measured.

Employment

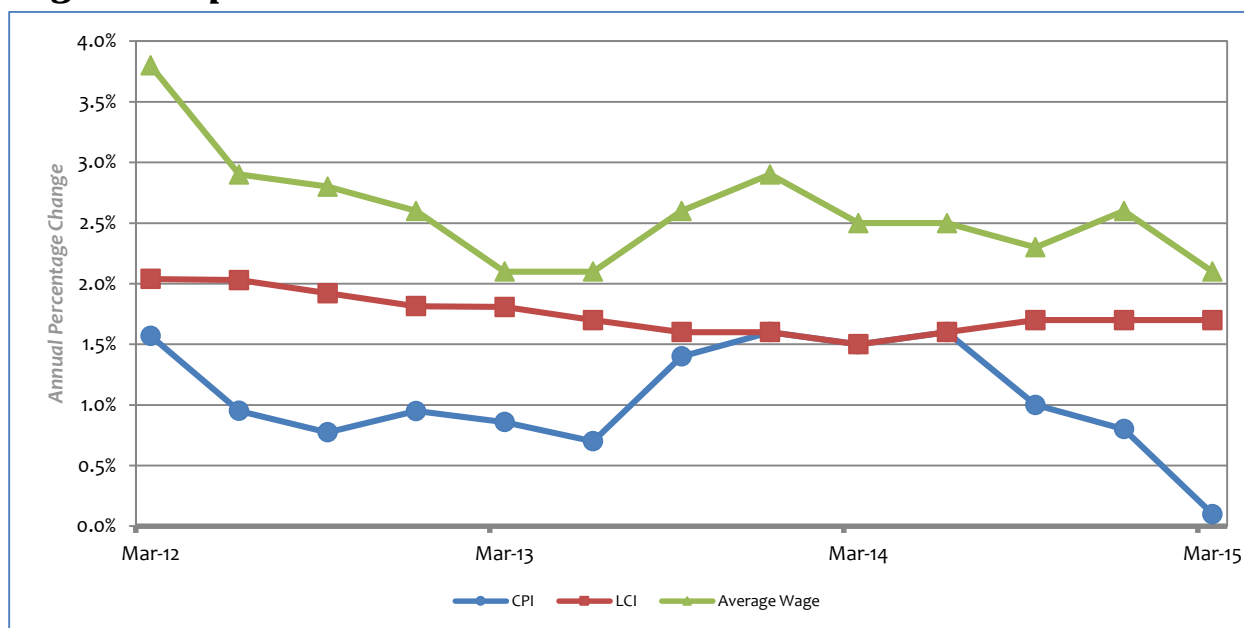


- According to the [Household Labour Force Survey](#) the unemployment rate in the March 2015 quarter was at 5.8 percent or 146,000 people, from a upward-revised 5.8 percent in December 2014 (143,000 people), seasonally adjusted. It is 6.1 percent actual (not seasonally adjusted) or 152,800 people, down from 6.3 percent a year before. Including the unemployed, there were 267,700 people jobless, and there were 103,600 part-timers who wanted more work. Seasonally adjusted female unemployment at 6.3 percent was higher than for men (5.4 percent), though female unemployment fell and males' rose. Māori unemployment fell from 13.3 percent in March 2014 to 12.6 percent, and Pacific people's unemployment fell from 13.2 percent to 12.5 percent over the year. The labour force participation rate at 69.6 percent is up from 69.4 percent in December 2014 and 69.0 percent a year before. There are 38,900 unemployed people who have been out of work for more than 6 months (unchanged from 38,800 in March 2014), and they are 25.5 percent of the unemployed compared to 25.2 percent a year before. Those out of work for more than a year is at 11.7 percent of the unemployed compared to 11.8 percent a year before. Compared to OECD unemployment rates, New Zealand is 13th equal lowest (out of 34 countries), worsening from 10th in December.
- In the North Island, only Taranaki and Wellington (6.0 percent) have unemployment below the 6.1 percent average for the country (not seasonally adjusted), and Northland, with 9.9 percent unemployment (up from 8.4 percent a year before), Bay of Plenty with 7.8 percent (7.1 percent a year before), Gisborne/Hawkes Bay with 7.3 percent (8.5 percent a year before), and Manawatu-Whanganui with 7.4 percent (7.9 percent a year before) are particularly hard hit. Auckland's unemployment rate was 6.9 percent (down from 7.3 percent a year before). The South Island looks considerably better, with Tasman/Nelson/Marlborough/West Coast at 4.4 percent, Canterbury at 3.1 percent, Otago at 3.8 percent and Southland at 4.2 percent, all lower than a year before though still higher than March 2008. The unemployment rate outside Canterbury is 6.0 percent.
- By industry, over the year almost a third of the increase in employment came from Construction (23,300 workers compared to 73,800 overall), followed by Arts, recreation, and other services, Manufacturing, and Retail and accommodation, which together made up virtually all the increase.

There were falls in Wholesale trade, Agriculture, forestry and fishing, Rental and real estate, and Transport, postal and warehousing.

- Youth unemployment for 15-19 years was 21.4 percent, up from 21.1 percent in December but down from 22.7 percent a year before; for 20-24 year olds it was 11.0 percent, down from 11.1 percent in December and 12.8 percent a year before, all in seasonally adjusted terms. The not in employment, education, or training (NEET) rate for 15-19 year olds was 8.2 percent, up from 7.7 percent in December and down from 9.0 percent a year before while for 20-24 year olds it was 15.2 percent, also up from 14.7 percent in December and down from 15.0 percent a year before. Looking at the whole 15-24 year old group, unemployment was higher for those in education (16.5 percent) than those not in education (13.9 percent) and the 27,000 increase in employment over the year was entirely among people not in education, a reversal from the situation a year before when the increase was entirely among those in education. There were 76,000 people aged 15-24 years who were not in employment, education, or training (NEET).
- ★ The [Ministry of Social Development](#) reports that at the end of June 2015 there were 118,072 working age people on the Jobseeker benefit, a fall of 3,059 from 121,131 in June 2014 but an unusual rise of 1,179 for June from 116,893 in May. It appears the reduction in numbers on a benefit is slowing. Of those at June 2015, 63,255 were classified as 'Work Ready', and 54,817 were classified as 'Health Condition or Disability'. A total of 285,349 were on 'main' benefits, 1,089 fewer than March 2015 and 8,237 fewer than June 2014. It was 22,279 more than in June 2008. Of 51,490 benefits cancelled during the three months to June, 19,764 or 38 percent obtained work, 11 percent transferred to another benefits and 4 percent became full time students.
- ★ [Job Vacancies Online](#) showed a seasonally adjusted rise in skilled job vacancies of 0.8 percent in June after a rise of 0.4 percent in the previous month. All job vacancies rose by 0.8 percent in June, after a fall of 0.3 percent in the previous month. In the year to June, skilled vacancies fell 0.3 percent. All vacancies fell by 0.9 percent.
- ★ [International Travel and Migration](#) data showed 9,800 permanent and long-term arrivals to New Zealand in June 2015 and 5,000 departures in seasonally adjusted terms, a net gain of 4,800. There was an actual net gain of 58,259 migrants in the year to June. Net migration to Australia in the year to June was 1,185 departures, with 25,246 departures and 24,061 arrivals. For the month of June, there was a seasonally adjusted net gain from Australia of 110 compared to a loss of 120 a year before. In June, 14.4 percent of the arrivals had residence visas, 19.2 percent student visas, 31.2 percent work visas, and 4.6 percent visitors. A further 29.6 percent were New Zealand or Australian citizens.

Wages and prices

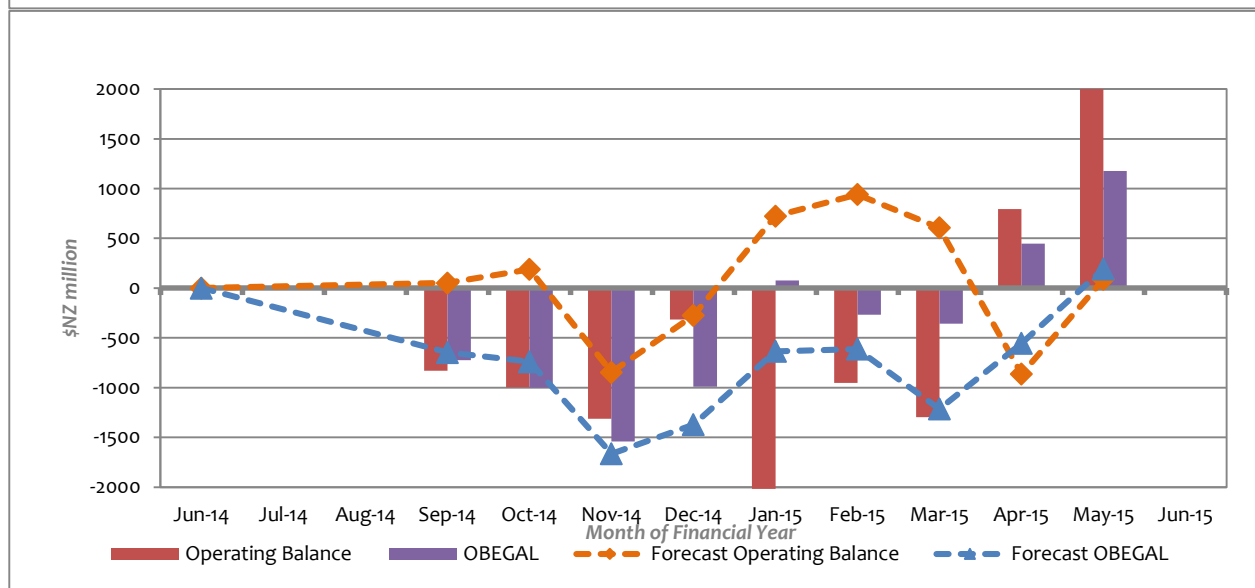
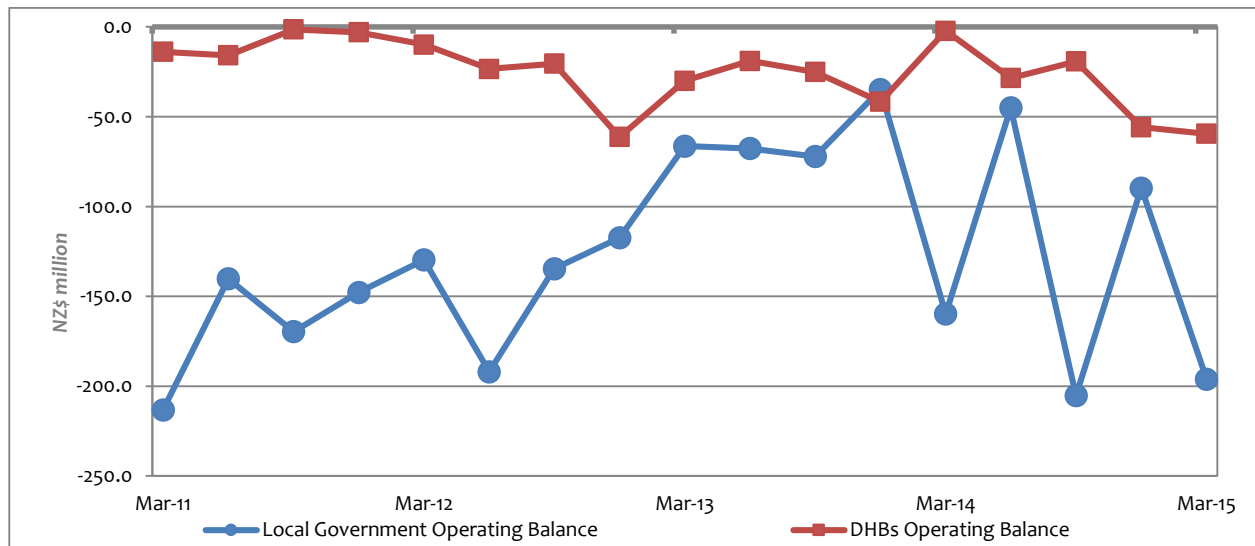


- The [Labour Cost Index](#) (LCI) for salary and ordinary time wage rates rose 0.3 percent in the three months to March 2015. The LCI increased 1.7 percent in the year to March, ahead of the 0.1 increase in the CPI. It increased 0.3 percent in the public sector and 0.3 percent in the private sector in the three months to March. Over the year to March it rose 1.2 percent in the public sector and 1.8 percent in the private sector. During the year, 41 percent of jobs surveyed did not receive a pay rise, and 43 percent did not in the private sector. For the 59 percent of those surveyed who received an increase in their salary or wage rate during the year, the median increase was 2.5 percent and the average increase was 3.2 percent. For those jobs that received increases, the median increase in the public sector was 1.9 percent and in the private sector 2.5 percent; the average increase in the public sector was 2.2 percent and in the private sector 3.4 percent. We estimate that jobs on collective employment agreements were 2.0 times as likely to get a pay rise as those who were not.
- The [Quarterly Employment Survey](#) for the three months to March 2015 found the average hourly wage for ordinary-time work was \$28.77, up 0.0 percent on the December 2014 quarter and up 2.1 percent over the year. The average ordinary-time wage was \$26.83 in the private sector (up 0.2 percent in the quarter and up 2.6 percent in the year) and \$36.25 in the public sector (up 0.8 percent in the quarter and up 1.1 percent in the year). Female workers (at \$26.55) earned 13.4 percent less than male workers (at \$30.65) for ordinary time hourly earnings.
- ★ The [Consumer Price Index](#) rose 0.4 percent in the June 2015 quarter compared with the March quarter driven by rising petrol prices, and increased 0.3 percent for the year to June, driven by rents and home ownership costs. For the quarter, Vegetables (up 4.8 percent), Alcohol (up 0.9 percent), rents (up 0.6 percent), purchase of new housing (up 1.5 percent) and petrol (up 8.8 percent) were the largest upward influence. Offsetting them were Fruit (down 8.7 percent), Domestic air transport (down 13.3 percent), and Telecommunications services (down 1.9 percent). Inflation in Canterbury for the year was 0.2 percent, the first time it has been below the national average since June 2011. It was 0.1 percent in Wellington and 0.5 percent in Auckland. Housing costs are still hitting particularly hard in Canterbury, rising 3.0 percent for the year, and Auckland,

rising 3.4 percent, compared to 1.1 to 2.2 percent elsewhere. Statistics New Zealand is now providing a seasonally adjusted series for the Consumer Price Index and a few of its subindexes. This takes out seasonal variation in prices to assist comparison month to month. The index rose 0.3 percent from March in seasonally adjusted terms, Food fell 0.3 percent, Housing and household utilities rose 0.4 percent and Communications fell 1.8 percent.

- ★ The **Food Price Index** rose by 0.5 percent in the month of June 2015, following a 0.4 percent rise in the previous month. Food prices fell 0.1 percent in the year to June 2015. Compared with May, fruit and vegetable prices rose 8.1 percent; meat, poultry, and fish prices fell 2.8 percent; grocery food prices fell 0.2 percent; non-alcoholic beverages rose 0.6 percent; and restaurant meals and ready-to-eat food rose 0.2 percent. Statistics New Zealand is now providing a seasonally adjusted series for the Food Price Index and a few of its subindexes. This takes out seasonal variation in prices to assist comparison month to month. In seasonally adjusted terms, the index fell 0.8 percent in the month, Fruit and vegetables fell 2.4 percent (fruit rising 1.3 percent and vegetables falling 3.9 percent), and grocery foods fell 0.4 percent.

Public Sector



- ★ According to Treasury's [Financial Statements of the Government of New Zealand](#) for the eleven months ended 31 May 2015, core Crown tax revenue was \$401 million or 0.7 percent higher than forecast in the 2015 Budget Economic and Fiscal Update (BEFU). Main contributors were higher than expected corporate tax (\$395 million) and 'other individuals tax' (\$112 million), but this was offset by lower than forecast GST (\$261 million lower). Core Crown expenses were \$433 million (0.7 percent) less than forecast, with the largest contributor being education which was \$205 million under forecast. The Operating Balance before Gains and Losses (OBEGAL) was a \$1,176 million surplus, \$983 million better than the \$193 million surplus forecast. The Operating Balance was a \$4,604 million surplus, \$4,515 billion better than expected, the difference being mainly due to actuarial losses of \$2.9 billion on ACC liabilities being lower than forecast due to higher interest rates and changed inflation assumptions. Financial instruments had net gains \$558 million above forecast. Net debt at 25.3 percent of GDP (\$60.4 billion) was \$164 million lower than the \$60.5 billion forecast. Gross debt at \$85.7 billion was \$1.6 billion above forecast.
- ★ [District Health Boards](#) recorded combined deficits of \$68.3 million for the eleven months to May 2015. This is \$32.4 million worse than their plans. The Northern region was \$0.7 million ahead of plan with a surplus of \$3.8 million and all DHBs in surplus, the Midland region was \$9.3 million behind plan with a combined deficit of \$20.4 million and all DHBs in deficit, half (\$10.2 million) due to Waikato, Central region was \$10.2 million behind plan and all but Whanganui in deficit for a total \$16.1 million, and the Southern Region was \$13.5 million behind plan with a \$35.7 million deficit and three of the five DHBs in deficit including Canterbury at \$17.9 million and Southern at \$20.2 million. The DHBs furthest ahead of plan were Waikato and South Canterbury, both by \$0.7 million, and Southern was furthest behind, by \$8.3 million. The funder arms were in surplus by \$120.8 million, but Provider arms in deficit by \$189.0 million.
- [Local Government](#) recorded a 0.5 percent (\$11.4 million) fall in operating income and a 4.3 percent rise in operating expenses (\$95.0 million) including a fall of 0.6 percent (\$3.0 million) in employee costs for the March 2015 quarter compared to December 2014. This resulted in an operating deficit of \$196.1 million in the March quarter, compared with a deficit of \$89.7 million in the December 2014 quarter, and deficits in all the last 28 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 many previous figures have been revised.

Notes

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

This bulletin is available online at <http://www.union.org.nz/economicbulletin170>.

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