

Three years of pain: The state of the labour market, 2023–26

NZCTU Report

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The New Zealand Council of Trade Unions Te Kauae Kaimahi (NZCTU) brings together over 370,000 union members in 32 affiliated trade unions. We are the united voice for working people and their families in New Zealand.

NZCTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga), the Māori arm of Te Kauae Kaimahi (NZCTU), which represents approximately 60,000 Māori workers.

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Executive summary

Secure employment and income are fundamental to wellbeing. But many New Zealanders have experienced a collapse in their employment and income security over the past three years. Hundreds of thousands of Kiwis are out of work, and many are staying unemployed for very long periods.

Unemployment can be deeply harmful. It can cause a life-long reduction in earnings, permanent disconnection from the job market, and lasting damage to people's emotional and mental wellbeing. And unemployment is not just destructive for the individuals and whānau who experience it. High unemployment can also hollow out communities and cause broader economic damage.

Policy decisions have caused the deterioration in employment outcomes over recent years: the Reserve Bank's monetary policy and the coalition Government's fiscal approach and failure to proactively support employment are largely to blame. International shocks such as the Iran war and Trump's tariffs have made things harder, but are not the principal causes of labour market weakness.

The upcoming election presents political parties with an opportunity to set out how they will support job creation and reduce unemployment over the next term of government. Our goal as a country should be to create an economic system in which all people who want to work can find a job that affords them a decent quality of life. We are very far from achieving that goal at the moment.

This report examines the key employment indicators to show how far the labour market has deteriorated since 2023. This data demonstrates just how deep the unemployment crisis has become in New Zealand, and the urgent need to act. The report also sets out what NZCTU thinks the next Government needs to do to achieve better employment outcomes for working people.

The state of the labour market

The unemployment rate is typically used as the headline indicator for how well the job market is doing. But unemployment is actually a very narrow measure. To develop a more complete picture of the labour market we also need to look at other measures like filled jobs, under-employment, the 'potential labour force', and those receiving Jobseeker Support. It's also important to consider factors such as how long people are spending in unemployment. This section examines this wider suite of indicators.

Filled jobs

The number of jobs in the New Zealand economy has shrunk. Using seasonally adjusted data, filled jobs fell from a peak of 2.39 million in late-2023 to a trough of 2.34 million, meaning 50,000 jobs had disappeared. There has been some growth in filled jobs in recent months, which is good, but we are still a way off from recovering the lost ground. As the experience following the 2009/10 recession shows (Figure 1), it takes a long time for job numbers to recover to pre-shock levels, especially if the Government is not actively supporting job growth – as is currently the case.

Filled jobs have fallen notably in construction, manufacturing, retail trade, professional services, and administrative and support services – all large industries. Compared to July 2023, in July 2026 there were approximately 12,100 fewer jobs in manufacturing, 13,500 fewer in construction, 7,200 fewer in retail trade, 10,900 fewer in professional services, and 9,500 fewer in administrative and support services (these figures are annual averages).

Figure 1: Filled jobs (000s), 2005–26

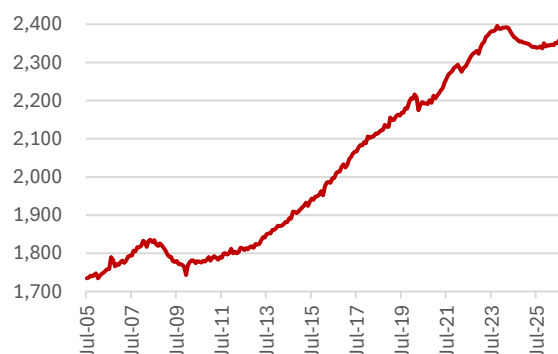
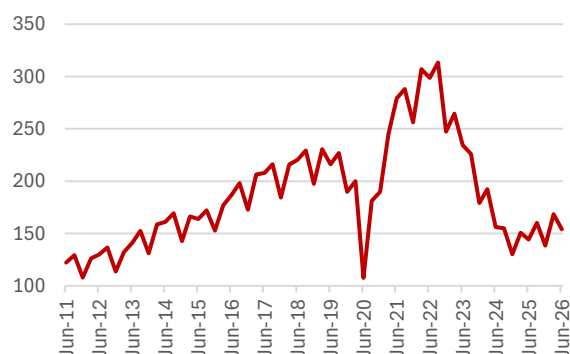


Figure 2: Job vacancies index (100 = Dec 2010)



Sources: Figure 1, Stats NZ, seasonally adjusted; Figure 2, MBIE, unadjusted.

The collapse in filled jobs is mirrored in the collapse of job advertisements over this same period. The Ministry of Business, Innovation and Employment produces a job vacancies index, which tracks changes in the level of job adverts online each quarter. Beginning in late 2022, job adverts started declining and continued to do so until the middle of 2025. There has been tepid growth in job adverts over the past year, but they remain well below pre-recession volumes. As Figure 2 shows, job adverts are actually close to their 2015 level. Yet over this period the labour force has grown, meaning there are more people competing for fewer jobs.

Unemployment

The official measure of unemployment comes from Stats NZ's quarterly Household Labour Force Survey (HLFS), the latest of these being for the June 2026 quarter. To be counted as officially unemployed a person must:

- Have no paid job
- Be of working age (over 15)
- Be available for work, and
- Have actively sought work in the past four weeks or have a new job that starts within the next four weeks.

In addition, actively seeking work means that someone must be using job search methods other than just scanning newspapers and the internet for job ads.

As a percentage of the labour force, the unemployment rate has risen from 3.7% in June 2023 to 5.6% in June 2026. This means there were around 171,000 people unemployed in the June 2026 quarter, which is up almost 40% since the coalition Government came to power. For women, unemployment has increased from 3.9% to 5.5%, and for men it has increased from 3.4% to 5.7%. This steeper increase in the unemployment rate for men is unusual, as the reverse has typically been the case during economic downturns. It could reflect steeper downturns in male-heavy industries such as construction.

Figure 3: Unemployment rate, 2016–26

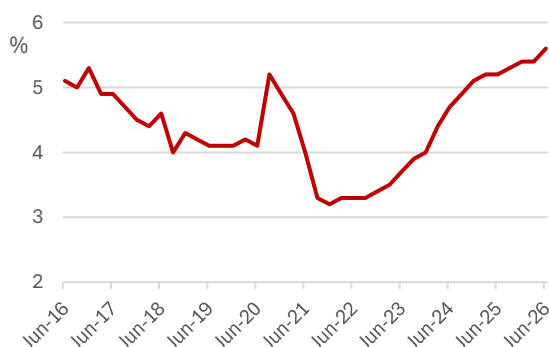


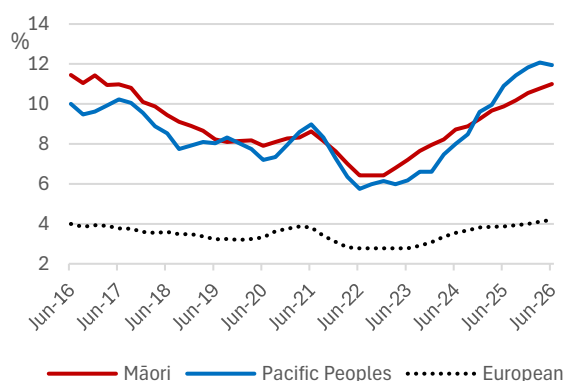
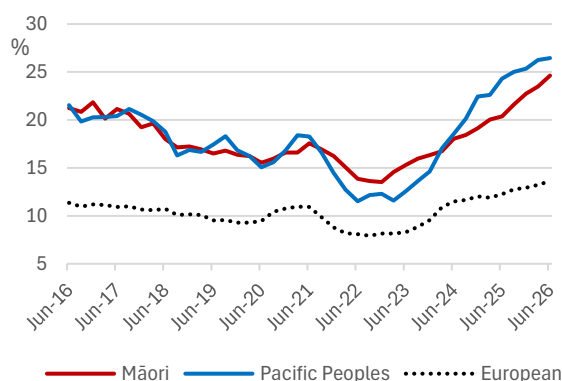
Figure 4: People unemployed, 2016–26



Source: Stats NZ, seasonally adjusted figures.

The burden of unemployment is not experienced equally across different ethnicities. Māori and Pacific Peoples have been particularly hard hit in recent years. For Māori, the unemployment rate has increased from a pre-downturn low of 6.5% to 11%. For Pacific Peoples, it has doubled from 6% to 12%. By contrast, unemployment for NZ Europeans has increased from around 2.8% to 4.2% (these figures are annual averages).

Youth unemployment (15–24-year-olds) has also increased significantly over this period, moving from a low of around 9% to 16.6%. As shown in Figure 6, the numbers are even starker for young Māori and Pacific Peoples. The youth unemployment rate for these groups is now at 24.6% and 26.5% respectively.

Figure 5: Unemployment rate by ethnicity, 2016–26**Figure 6: Unemployment rate 15-24yo by ethnicity, 2016–26**

Source: Stats NZ, annual averages.

Unemployment rates have also diverged quite sharply in different parts of the country. In the major centres, Auckland and Wellington have been very badly affected. Since 2023, unemployment has increased from 3.7% to 6.7% in Auckland and from 2.9% to 5.2% in Wellington. By contrast, in Christchurch unemployment has only increased marginally to 3.8%. Overall, the South Island has fared much better than the North Island, in large part due to strong international demand for New Zealand exports.

Potential labour force (jobless but not officially unemployed)

The next measure we need to look at is what Stats NZ calls the ‘potential labour force’. This category comprises people who want a job, but are not actively seeking work, or people who are actively seeking work but are not immediately available. Reasons why someone might not be actively seeking work or not immediately available vary, but can include:

- Not having transport or childcare arrangements to attend interviews.
- Having whānau responsibilities to attend to.
- Requiring medical support to manage stress associated with seeking work.
- Disillusionment with the lack of available jobs (they may have previously been looking for a job but given up).

The potential labour force has also increased in recent years, though not as dramatically as the unemployed. By June 2026 there were 115,000 Kiwis in the potential labour force, up from around 92,000 in 2023 (seasonally adjusted figures).

Underemployment

Unfortunately, this is not the end of this story. In June 2026 there were another 154,000 people who were ‘underemployed’. To be classified as underemployed, an individual must meet the following conditions:

- Be working fewer than 30 hours per week
- Want to work additional hours, and
- Be immediately available to take on extra hours.

The number of people underemployed is up 24,000 from June last year, and up 48,000 from June 2023. Overall, in the past three years underemployment has increased 45%.

Figure 7: People underutilised, by component

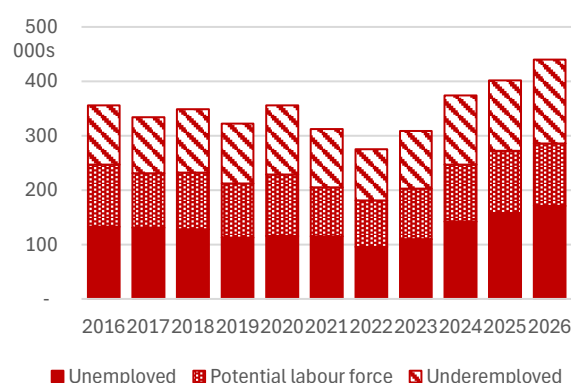
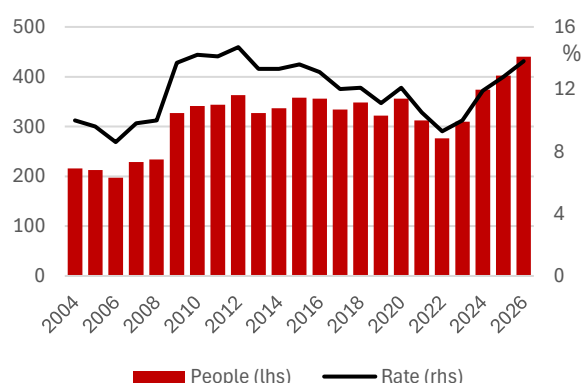


Figure 8: Total underutilisation (000s) and rate (%)



Source: Stats NZ, seasonally adjusted figures.

Putting together unemployment, the potential labour force, and underemployment gives us the broader measure of ‘underutilisation’. In the June 2026 quarter there were an estimated 440,000 Kiwis who were underutilised, or 13.8% of the labour force. The underutilisation rate is close to the high reached during 2012, which was in the aftermath of the global financial crisis. The actual number of people who are underutilised is at its highest level since this data has been collected. Due to both the poor state of the labour market and population growth, there are now twice as many people underutilised in 2026 than there were two decades ago.

As with unemployment, underutilisation is far higher for Māori and Pacific workers than for other ethnic groups. For Māori, underutilisation has increased from 15.9% in June 2023 to 22% in June 2026; for Pacific Peoples it has increased from 13.4% to 21.3% over the same period (annual averages). That means around 1 in 5 Māori and Pacific People are underutilised.

Underutilisation is also notably higher for women than for men. For women it has increased to 15.3%; for men it has increased to 12.4%.

From the longer-term perspective of Figure 8, we can see that:

- During the pre-financial crisis period (2004–08) the labour market was relatively strong and the total number of people who were underutilised sat in the 200,000–220,000 range.
- Underutilisation rose sharply after the financial crisis and then stabilised at a higher level in the 300,000–320,000 range.
- There were improvements in 2021 and 2022, again due to a stronger overall labour market, with underutilisation falling to a decade-long low.
- Since 2023, however, there has been another sharp jump in underutilisation, with no clear end in sight.

Duration of unemployment

One of the most concerning trends over the last three years has been the rise in long-term unemployment, which we define here as being officially unemployed for 6 months or more.

When people slip into long-term unemployment, it can become harder and harder to re-enter the job market, and the negative effects of unemployment – in lost earnings, emotional and mental harm, and stressed family dynamics – compound.

Figure 9: Long-term unemployed (000s)

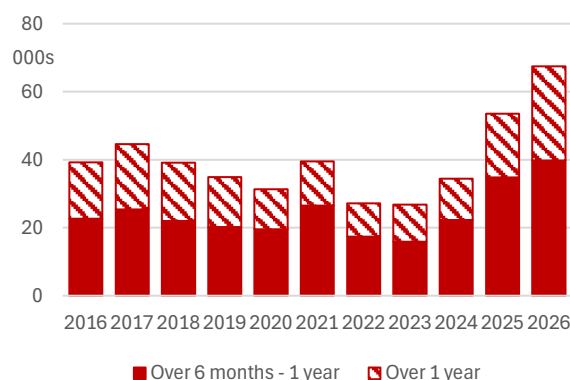
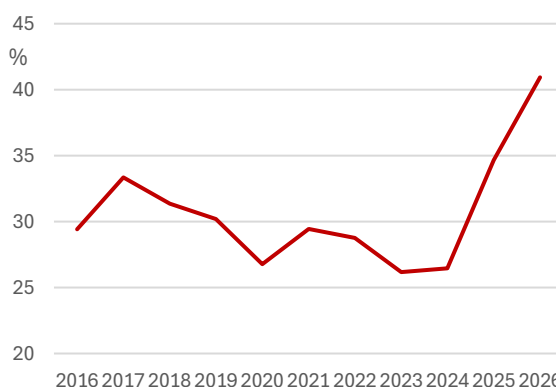


Figure 10: Long-term unemployed as % of total unemployed



Source: Stats NZ, annual averages.

Compared to the same time three years ago, the number of people in long-term unemployment has increased 150%. The number of people who have been unemployed between 6 months and 1 year has increased from 15,900 to 39,800 while the number of people unemployed for over 1 year has increased from 10,900 to 27,700. Long-term unemployment has also increased significantly as a proportion of total unemployment, moving from 26.2% in 2023 to 40.9% in 2026. This indicates just how difficult it is to find work at the moment.

Jobseeker Support recipients

With the decline in the job market, it is not surprising that unemployment benefit numbers have increased significantly. Compared to June 2023, Jobseeker Support numbers have increased 26.2%, rising from 173,127 to 218,481 (compared to December 2023, when the coalition Government took power, they are up 15%). Both categories of Jobseeker have risen sharply, but Jobseeker Support – Health Condition or Disability has increased faster, up 32.9% compared to 21.2% for Jobseeker Support – Work Ready. This may be the result of rising long-term unemployment, which has compounding effects on people's mental and physical wellbeing.

Young people not in employment, education, or training (NEETs)

The final data point we look at here is the youth 'NEET' rate. This records people aged 15–24 who are not in employment, education, or training. The NEET rate is made up of three sub-categories:

- Those who are unemployed and not in education, but are actively seeking work.
- Those who are not in the labour force (are not in employment or education and are not actively seeking work) and are not caring for others.
- And those who are not in the labour force because they are caring for others.

The NEET rate has increased from 11.3% in June 2023 to 13.8% in June 2026 (annual averages). In raw numbers, this means around 94,500 young people were NEET in June 2026, up 21,900 since 2023. This surge has been driven by the increase in those NEET who are unemployed, which has increased 82% over this period. By contrast, those who are not in the labour force and not caregiving have increased 9%, while those who are not in the labour force but caregiving has remained stable. This significant upsurge in the NEET rate is a real cause for concern, as being disconnected from the job market or education at a young age can have negative effects on life-long employability and earnings. As with other employment measures, NEET rates are significantly worse for Māori and Pacific youth than for other ethnicities.

Figure 11: Jobseeker support by category, 2016–26

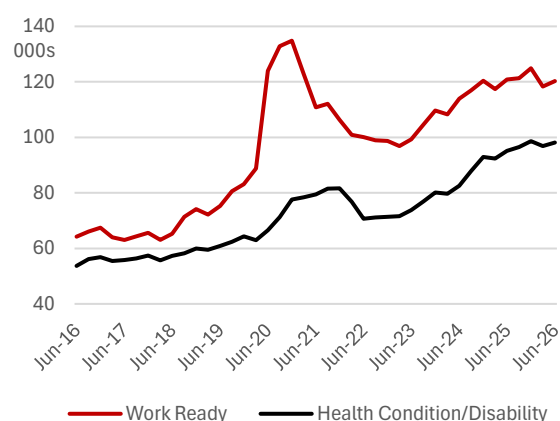
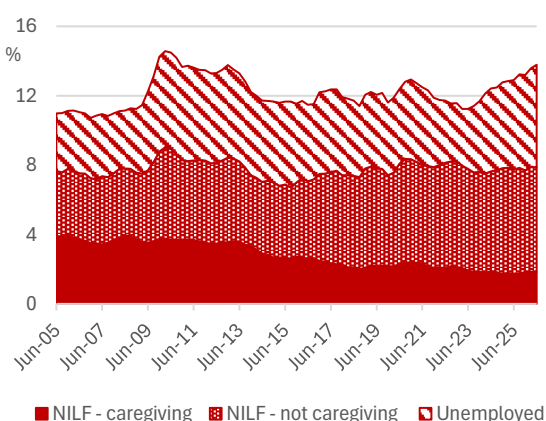


Figure 12: NEET rate by component, 2005–26



Source: Figure 11, Ministry of Social Development; Figure 12, Stats NZ, annual averages.

Looking back longer-term, as shown in Figure 12, people who are NEET and are caregivers have fallen steadily, both in raw numbers and as a proportion of the working-age population. In 2005, around 3.9% of the working-age youth population was not in the labour force and caregiving; today, only 1.8% are. Those NEET who are unemployed have risen as a proportion of the population, though this level fluctuates with economic conditions. The most concerning trend, though, is the steady increase in the proportion of those young people who are not in the labour force and not caregiving. This has moved from 3.7% in 2005 to 6% in 2026. This is not unique to New Zealand, and may be linked to factors such as increasing economic hardship in some communities and declining mental health among the young.

Recent forecasts

Both the Treasury and the Reserve Bank released comprehensive economic forecasts in September. However, the forecasts were finalised in late August, prior to the Houthi offensive that has caused oil prices to spike again. They are therefore likely to paint a more optimistic picture of potential economic recovery than is likely. It is also worth noting that forecasts have been repeatedly revised downwards over the last couple of years.

In any case, both forecasts indicate that the labour market can be expected to remain weak for some time. The Treasury's central forecast is for unemployment to peak at its current rate of 5.6%, and then slowly drop back through 2027 and 2028, to reach 4.6% by June 2029. The

Reserve Bank is projecting that unemployment will follow this same trajectory, but at a slightly more elevated level. Both institutions are forecasting that real wages will fall over the next three quarters, only moving back into positive territory by mid-2027.

Treasury also provides projections of the number of people on Jobseeker Support. It expects numbers to remain around their current level in 2027 before slowly dropping down. However, the projection is for Jobseeker numbers to stay well above 200,000 throughout the entire forecast period. This is very far off the target set by the coalition Government to reduce the number to around 140,000 people by 2030.

Figure 13: Unemployment forecasts

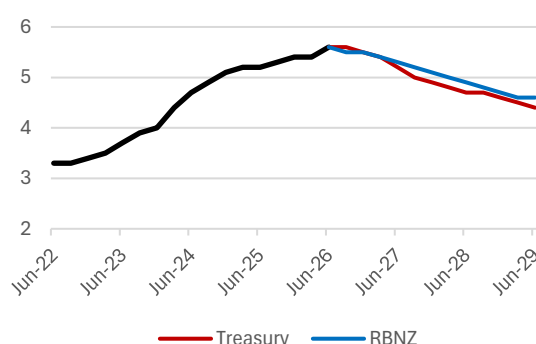
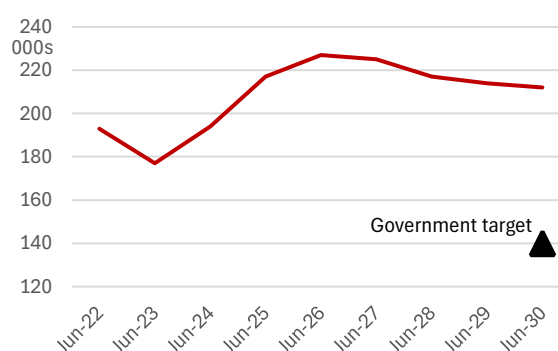


Figure 14: People receiving Jobseeker Support forecast



Source: Figure 13, Treasury, RBNZ; Figure 14, Treasury. Note the Treasury projections include Jobseeker Support and Emergency Benefit recipients, but the latter make up a tiny fraction of the overall number.

What's caused the job market to deteriorate?

The data discussed above paints a grim picture: working people are facing a very weak job market, which means rising employment and income insecurity for many and poverty for others. For those who have the misfortune of being unemployed, it is proving very difficult to find a job, as borne out by the rising long-term unemployment rate, among other indicators.

The deterioration of the labour market has been largely caused by policy choices – it was not inevitable. The most significant policy choices have been the Reserve Bank's decision to raise the Official Cash Rate (OCR) to 5.5% and keep it there for a full year, and the coalition Government's relatively 'tight' fiscal approach and unwillingness to proactively intervene to support employment.

Both these responses are related to the problem of inflation. The Reserve Bank is mandated to keep annual consumer inflation between 1–3% 'over the medium term' (which in practice means around 1–3 years). Prior to the coalition Government taking office, it was also mandated to support 'maximum sustainable employment', which it interpreted as the level to which unemployment can fall before generating unsustainable inflationary pressures (the coalition Government repealed this mandate almost immediately).

Inflation took off in 2021, not because employment was 'too high', but because of the complex economic shocks caused by COVID around the world, combined with monetary policy

stimulus. In response, the Reserve Bank began to raise the OCR in late-2021, ultimately moving it from 0.25% to 5.5%, where it stayed for over a year. The OCR is the rate paid on commercial banks' balances that are held at the Reserve Bank. This then feeds through into retail interest rates – such as for mortgages. A higher OCR means rising retail interest rates for mortgage holders, businesses, and consumers. Higher interest rates are labelled as a 'tight monetary policy' stance.

Because tighter monetary policy reduces people's disposable income and reduces business investment, it typically causes unemployment to increase. Workers who are lower down the income scale tend to bear the brunt of this, as they are more likely to be in the precarious jobs that are the first to go in a downturn. This is part of the reason why we have seen such disproportionately negative impacts for Māori, Pacific, and young workers over the last three years – these groups are over-represented in precarious employment.

Inflation was a global problem in 2021 and 2022 and, by international standards, the Reserve Bank took a very aggressive approach with its monetary policy. For example, despite experiencing similar inflation pressures to New Zealand, the Reserve Bank of Australia did not raise interest rates as high, and this has probably supported better employment outcomes across the Tasman. In response to the inflationary spike caused by the Iran war, the Reserve Bank has again started to increase the OCR, which will likely make a labour market recovery more difficult.

In the context of tight monetary policy over 2023, 2024, and into 2025, the coalition Government's policy decisions have made things worse. These decisions have included cuts to public services, resulting in job losses and reduced consumer spending in some areas; a failure to intervene proactively to support struggling sectors such as construction; and reduced support for important training initiatives such as the Apprenticeship Boost programme, which help support the hiring of apprentices. At a time when we have needed the Government to be providing support to the economy, it has pulled back.

The coalition Government has also actively legislated to reduce job and income security and the ability to bargain for fair wages during this period. Notably, the Fair Pay Agreements Act was repealed in 2023, eliminating the potential for sector-wide minimum standards. And the Employment Relations Act has been amended multiple times to, among other things, expand 90-day trials, make it easier for employers to misclassify workers as contractors, and weaken protections against unfair dismissal.

In addition, the Government has chipped away at the welfare system, making it more conditional and punitive at a time of major distress for many working people. Important choices here include the [directive](#) from the Minister of Social Development Louise Upston that 'benefit sanctions should be fully applied, rather than used sparingly'; the introduction of numerous additional compliance obligations such as the 'traffic light system'; a reduction in support for social housing tenants and reduced temporary additional support payments; and the recent move to means-test 18- and 19-year-olds for Jobseeker Support, based on their parents'

income. This punitive approach to welfare has been particularly cruel when set in the context of the collapse in the availability of jobs.

There are many problems with such a policy response. Here we highlight just three headline critiques relevant to the current situation in Aotearoa, with the Reserve Bank again tightening monetary policy and the coalition Government intending to reduce government spending as a proportion of GDP:

1. Higher interest rates can be effective at reducing spending, and thereby inflation, if inflation is being caused by ‘too much demand’ (i.e., too much spending power relative to the supply of goods and services). But there is little evidence that there is too much spending across the economy at present. Indicators of retail and other sales are muted at best. The labour market is chronically weak, which is reducing workers’ ability to secure wage rises. And the high cost of essential goods and services continues to cut into households’ discretionary income.
2. Inflationary pressures experienced in recent years have clearly originated offshore – whether as a combination of COVID supply chain shocks and/or global fuel prices caused by the Ukraine and Iran wars. Increasing New Zealand interest rates and/or reducing government spending does little to stop offshore inflation arriving here.
3. Tightening both monetary and fiscal policy at the same time reduces spending across all sectors of the economy. This inevitably results in a weaker labour market and rising unemployment and underutilisation, which in turn exacerbates the decline in spending. This spiral is further exacerbated by reduced productive spending on new machinery and equipment, as both higher interest rates and lower confidence impact on business investment plans. Such a policy stance therefore results in a prolonged economic downturn with fewer jobs and lower incomes, accompanied by consequent social and economic harm.

An alternative approach

NZCTU believes that full employment should be adopted as one of the overarching goals of government. Full employment means the elimination of involuntary unemployment. It means a situation in which everyone who wants a job is able to find one that matches their skills and needs without having to search for too long.

Some level of unemployment is inevitable, due to short-term unemployment associated with normal change in the economy – some firms closing and others opening, for example.

Economists call this ‘frictional’ unemployment. But the goal should be that unemployment is only a transitory experience while one is between jobs. The data discussed in this report show that we are very far from this situation at the moment, with tens of thousands of Kiwis stuck in long-term unemployment.

To achieve this goal, we need to undertake ambitious reform. NZCTU has outlined the key policy changes we think the next Government needs to make in our [Briefing to the Incoming Government](#). These include developing a proactive economic strategy that has full employment at its heart, restoring Fair Pay Agreement and an effective pay equity system, reforming the welfare system to enable all New Zealanders to live with dignity, and ensuring just transitions for workers whose employment is affected by economic change.

In addition to these reforms, the next Government should consider implementing the following policies to support a recovery in the labour market and better employment outcomes:

- Increase resources into active labour market programmes administered through MSD and other agencies, to ensure properly resourced case management and job-matching support. This is important in helping jobseekers find and maintain decent work.
- Remove barriers to training and development by restoring fees-free university education and re-expanding the Apprenticeship Boost programme. This will help to address the growing NEET rates and support the development of a skilled workforce.
- Proactive government investment in areas such as regional development, infrastructure, and housing construction to lean against economic weakness and support the maintenance of employment in these industries.
- Direct public and community job creation where private demand for labour has collapsed – this may be particularly necessary in regions where large employers have closed over recent years.
- Reform the Reserve Bank’s monetary policy mandate so that it must take employment as seriously as price stability.

The current Government has manifestly failed to support economic growth, job creation, and employment and income security over the past three years. Whoever forms the next Government after 7 November needs to do better.