



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

Quarterly Labour Market Report

August 2019





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Ministry of Business, Innovation and Employment (MBIE)

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Purpose

The Quarterly Labour Market Report presents MBIE's assessment of the overall state of the labour market in the June 2019 quarter, with a deeper focus on some areas of potential concern. It brings together latest findings from MBIE's labour market monitoring programme, Stats NZ and other key research.

The report focuses on three areas:

- The workforce, specifically how youth and Māori are faring, and provides detailed breakdowns of underutilisation, wages and job quality.
- Business confidence, skill matching and the ease with which enterprises can find labour.
- Longer-term trends around labour force participation and future employment growth.

It also includes a *Spotlight* section, which focusses this quarter on changes in real earnings and income levels over time.

New Zealand's Labour Market

- The labour market has tightened in the June 2019 quarter, with unemployment falling to an 11-year low and the employment rate rising to 67.7 per cent. Women have fared particularly well, with the female employment rate rising to 63.1 per cent, the second highest rate on record.
- Employment rose by 21,000 people and filled jobs rose by 8,800 over the quarter. Annual employment growth is forecast to average 1.4 per cent, or 39,400 more workers each year, over the next ten years.
- The unemployment rate fell to 3.9 per cent and the underutilisation rate fell to 11.0 per cent. Both the unemployment and underutilisation rates are the lowest they have been since 2008, prior to the Global Financial Crisis.
- The Māori unemployment rate fell to 7.7 per cent. The disparities between the Māori and non-Māori unemployment rates, and the gap in unemployment rates between Māori men and Māori women, have both continued to narrow.
- Jobseeker Support recipients have risen 11.2 per cent since June 2018, with 4.5 per cent of the working-age population now receiving Jobseeker Support. This was largely due to a 15.4 per cent increase in Jobseeker Support receivers who were classified as Work Ready.¹
- We are seeing more baby boomers retiring. People not in the labour force increased 43,500 over the last year, with 94 per cent of the increase coming from people aged 55 or over. This is balanced out by net migration remaining at historically high levels, the combination of which has led to a steady labour force participation rate of 70.4 per cent.
- The NEET (not in employment, education or training) rate fell to 10.3 per cent (down from 13.1 per cent last quarter). The NEET rate for young men fell to 9.5 per cent and the NEET rate for young women fell to 11.1 per cent. This fall in the number of NEET youth has been caused by increases of youth in both education and employment.
- Firms are reporting low business confidence and weak profitability. Online job advertisements have fallen for the first time in several years and firms cut back on their hiring in the June quarter.
- Wage inflation has strengthened due to the minimum wage increase, the nurses' Multi Employer Collective Agreement, and overall labour market tightness. Collective pay agreements for primary and secondary teachers were finalised in late June, but are yet to impact on measured wages.

¹Ministry of Social Development, Benefit Fact Sheets, June 2019 quarter

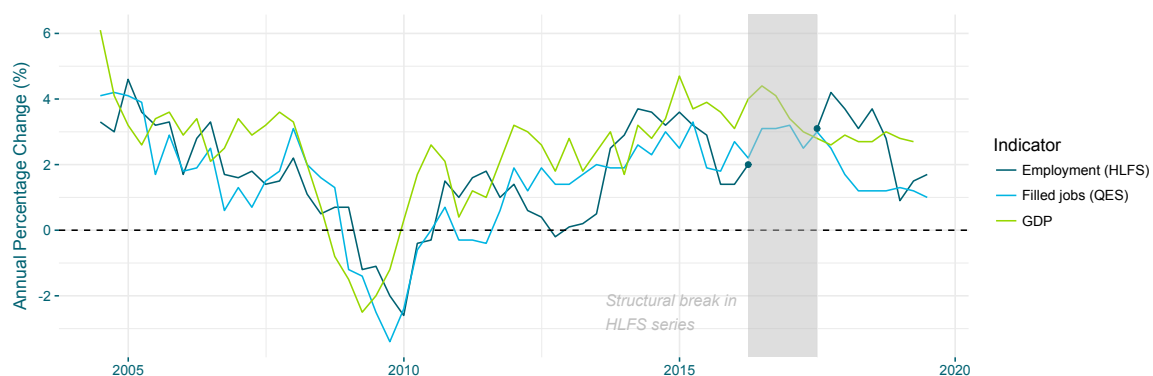
1. How is the Workforce faring?

■ SUMMARY

While the overall state of the labour market is generally positive, there are some areas of potential concern that require closer examination. This section looks at the workforce, providing an in-depth look at how youth and Māori are faring in the labour market, and detailed breakdowns of underutilisation, wages and job quality.

The labour market has tightened in the June 2019 quarter, with unemployment falling to an 11-year low and the employment rate rising to 67.7 per cent. Women have fared particularly well, with the female employment rate rising to 63.1 per cent, the second highest rate on record. Employment rose by 21,000 people and filled jobs rose by 8,800 over the quarter.² Annual employment growth is forecast to average 1.4 per cent, or 39,400 more workers each year, over the next ten years.

Figure 1: Indicators of labour demand



Sources: Household Labour Force Survey (HLFS), Quarterly Employment Survey (QES), National Accounts (GDP)

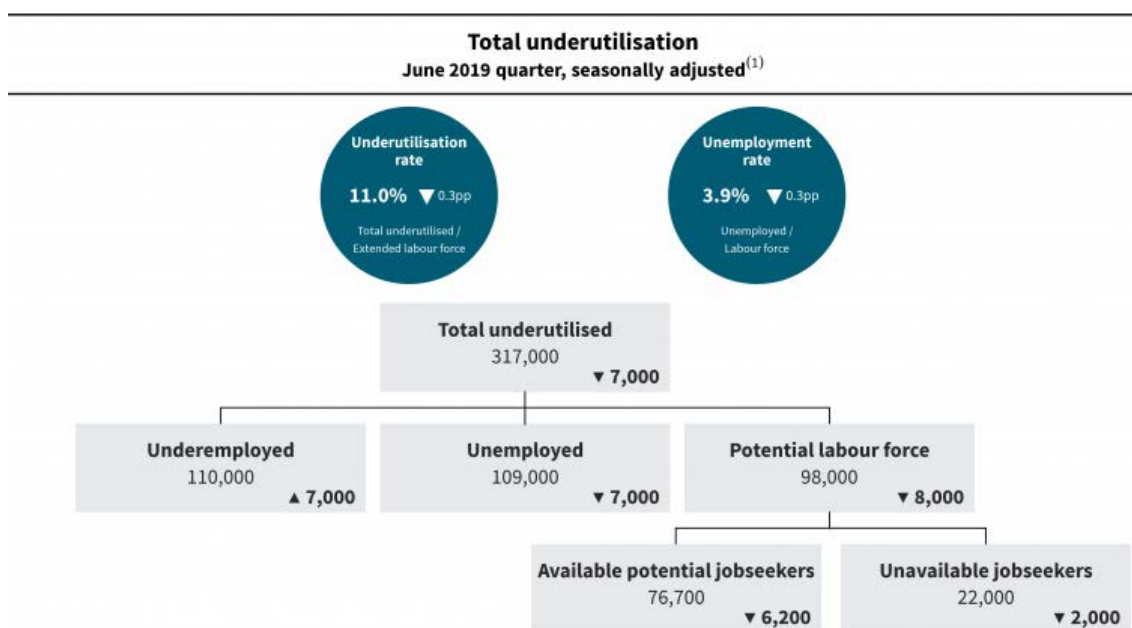
Underutilisation rate is the lowest since 2008

Underutilisation is a broader measure of spare capacity in New Zealand's labour market than unemployment. It also includes underemployed (part-time workers who would like more hours) and the potential labour force (people who are not currently in the labour force but want a job).³

²In the June 2016 quarter, changes were made to the HLFS to better identify self-employed. This caused a structural break in the employment series.

³The measure includes those who are not in employment but are available to work and are actively looking for a job (defined as unemployed), those in part-time employment (fewer than 30 hours per week) who would like to increase

Figure 2: Breakdown of underutilisation



Footnotes:
1. No seasonal pattern is evident for available potential jobseekers. Therefore, this series is not seasonally adjusted.

Source: Stats NZ

In the June 2019 quarter, the underutilisation rate fell to 11.0 per cent, down from 11.3 per cent in March 2019. This is the lowest rate of underutilisation since the September 2008 quarter, when the underutilisation rate was 10.5 per cent. For women, the underutilisation rate fell to 13.0 per cent, while for men it increased slightly to 9.1 per cent.

Underutilisation rates continue to fall across most ethnic groups, with Māori having the highest year to year decrease of 2.8 percentage points. However, Māori underutilisation (17 per cent) remains higher than for Pacific Peoples (15 per cent) and European (10 per cent).

The total number of people who were underutilised fell by 7,000 over the quarter. This fall reflects 9,000 fewer underutilised women, partly offset by 2,000 more underutilised men. Although those who were underemployed increased by 7,000, the number of people in the potential labour force and the number of people who were unemployed both fell over the quarter (down by 8,000 and 7,000 respectively).

People constantly move around between states in a labour market and this is particularly true for underutilised workers. Over the last three years on a quarter on quarter basis, someone who is underemployed could either gain full-time employment (21 per cent probability) or fully utilised part-time employment (33 per cent). Similarly, someone who is unemployed could find

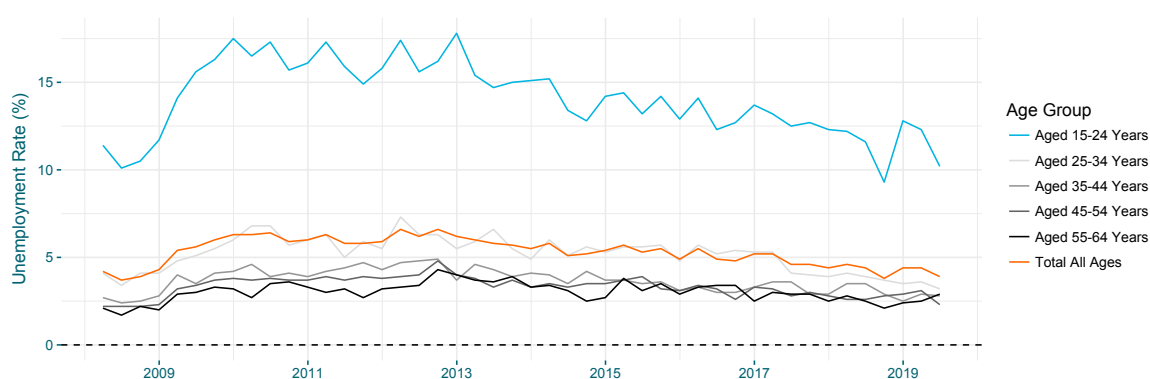
the hours they work and are available to do so (defined as underemployed), and those making up the potential labour force (i.e. 'available potential jobseekers' who want a job and are available to work but are not currently looking for a job and 'unavailable jobseekers' who are currently unavailable to start work but are looking for a job as they would be able to start within the next month).

employment (32 per cent) or leave the labour force (29 per cent), and someone in the potential labour force could find employment (18 per cent) or start actively looking and enter the labour force as unemployed (17 per cent).

An increasing number of youth are in employment or education

The youth (aged 15–24 years) unemployment rate has dropped to 10.2 per cent in the year to the June 2019 quarter, but remains more than two times the national average of 3.9 per cent. Conversely, unemployment rates for the older labour force have increased slightly over the same period, to 2.9 per cent for the 55 – 64 age group and 1.5 per cent for the 65+ age group.

Figure 3: Unemployment rates by age group



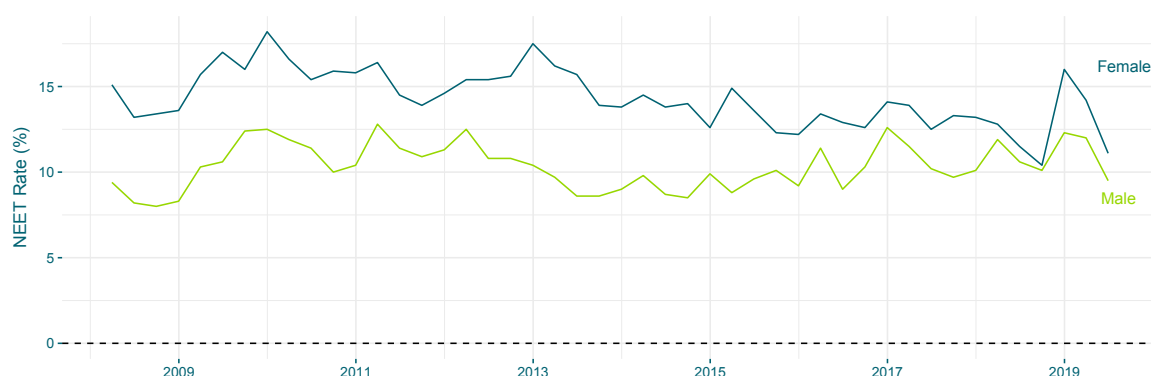
Source: Household Labour Force Survey (HLFS)

In the June 2019 quarter, 13.9 per cent of young workers in full-time employment and 25.4 per cent in part-time employment wanted more hours. The underemployment rate for youth has been trending upwards since 2007. However, it dropped by approximately one per cent in the year to the June 2019 quarter.

On average, the part-time young workers who wanted more hours already worked 13.3 hours per week and wanted 8.9 more hours. The part-time young workers wanting more hours typically work two to four hours fewer per week compared to workers in other age groups.

The seasonally adjusted number of NEET (not in employment, education or training) youth has decreased to 69,000 in the June 2019 quarter. The gender gap between NEET rates has narrowed over the last few years, but in this quarter the female NEET rate was still above the male NEET rate at 11.1 per cent and 9.5 per cent, respectively.

Figure 4: NEET rates by gender



Source: Household Labour Force Survey (HLFS)

In the June 2019 quarter, 37.7 per cent of NEET, or 26,000 youths, were actively looking for paid employment. This percentage has not changed from the previous quarter. Nearly 30 per cent of these job seekers have been actively looking for employment for more than six months, and approximately nine per cent have been looking for longer than a year. Of the NEET youths that were not actively looking for paid employment, 30.3 per cent, or 13,000, were caring for children or others, and these were predominantly female and in the 20–24 years age range.

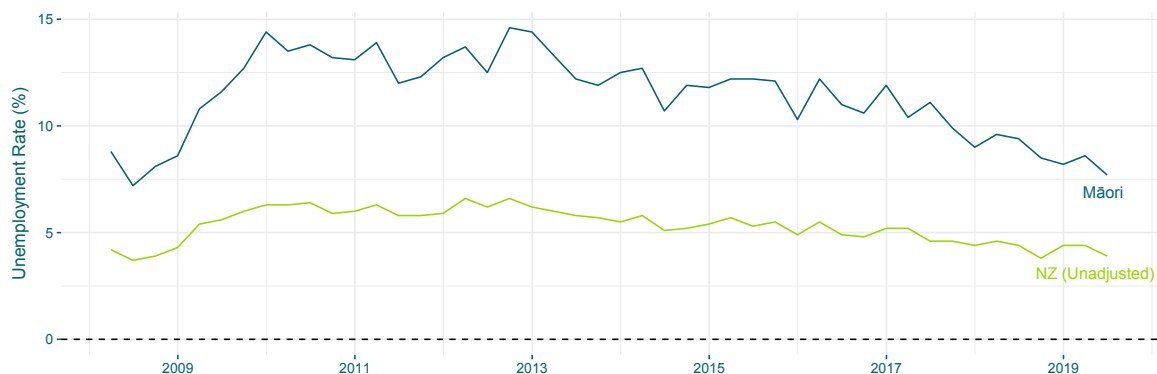
There is more movement into and out of unemployment for youth compared to older age categories. Of the total youth employed in the March quarter, 2.5 per cent are now unemployed, and three per cent of the youth currently employed were unemployed last quarter.

Almost half of the youth that were underemployed last quarter are now either fully utilised part-time workers, or have moved to full-time employment. Unlike the flow between employment and unemployment, the change between fully-utilised and underutilised workers shows no significant difference compared to the other age groups or changes over time.

The gap for Māori in the labour market is slowly narrowing

The Māori unemployment rate was 7.7 per cent in the June 2019 quarter (down 1.7 percentage points since June 2018). Unlike most of the previous declines, this fall in the unemployment rate was not due to an increase in employment, but a reflection of the decrease in unemployed Māori in the labour force and an increase in Māori not in the labour force (NILF).

Figure 5: Māori unemployment rate



Source: Household Labour Force Survey (HLFS)

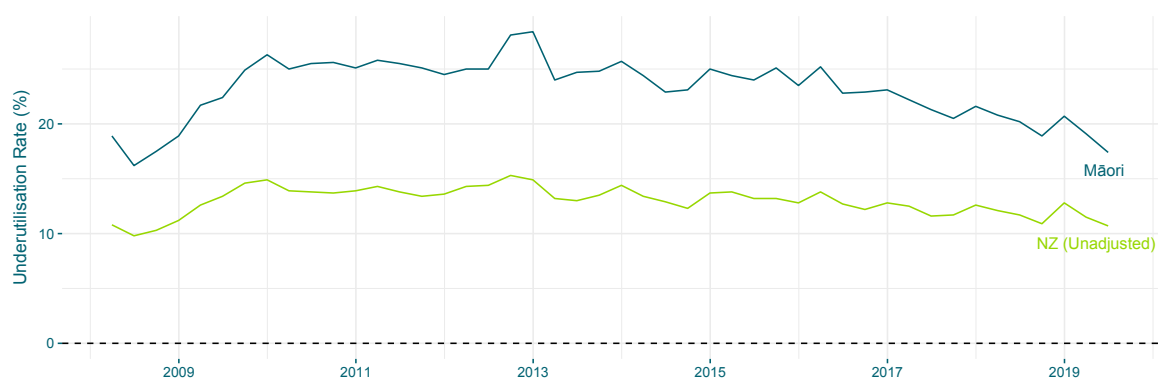
The disparity in the unemployment rate between Māori and non-Māori has continued to narrow, with the gap the smallest since June 2009. The non-Māori unemployment rate was 3.5 per cent this quarter (compared with 7.7 per cent for Māori).

The gender gap for the Māori unemployment rate is still present, but has reduced over the last year. The female unemployment rate fell to 8.5 per cent and the male unemployment rate fell to 6.9 per cent. Māori female employment rose slightly by 2,000 people and Māori male employment decreased by approximately the same amount.

Approximately 16.2 per cent of unemployed Māori are considered long-term unemployed, having spent more than a year looking for work, compared with 12.9 per cent for the unemployed non-Māori group. Māori make up approximately 30 per cent of long-term unemployment in New Zealand and this has not changed significantly in the last 20 years.

The underutilisation rate for Māori fell to 17.4 per cent this quarter; this is the lowest level since 2008. It fell by 2.8 percentage points over the year, a significantly larger decrease compared to the overall population which has fallen by 1.0 percentage point over the same period.

Figure 6: Māori underutilisation rate



Source: Household Labour Force Survey (HLFS)

Underemployment was the second largest contributor to Māori underutilisation after unemployment. There were 18,000 underemployed Māori in the June 2019 quarter, an annual decrease of 3,000 people.

The Māori NEET Rate rose 0.9 percentage points to 16.5 per cent in the year to the June 2019 quarter. The total number of NEET Māori youth fell slightly to 21,000, and the Māori youth working age population also reduced by 5.7 per cent to 127,000, which increased the Māori NEET rate. For Māori over the last few years the female NEET rate has continued to fall in a similar pattern observed in the overall population since 2008, and the male NEET rate has remained mostly unchanged.

Strong wage growth is partially driven by a large minimum wage increase

The average hourly wage in the June 2019 quarter was \$32.37, up 1.2 per cent over the quarter, as measured by the Quarterly Employment Survey⁴ (for ordinary time earnings only). Over the year, average ordinary time hourly earnings increased by 4.4 per cent - the largest year-to-year increase for over ten years.

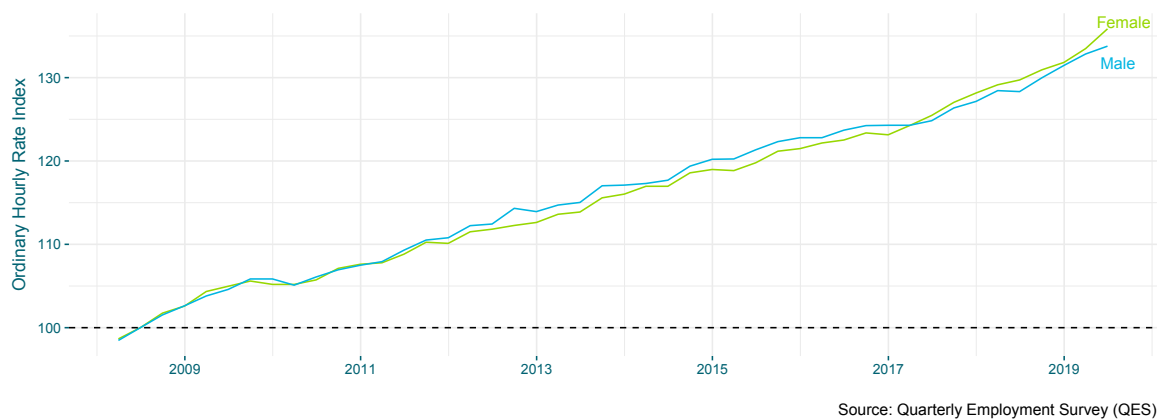
The seasonally adjusted average weekly wage was \$1,252 for full-time equivalent employees (FTEs), an increase of 3.7 per cent from a year ago. The difference in the annual percentage changes shows that whilst average hourly wages are increasing, people are working slightly fewer hours each week. The average working week for FTEs was 37.8 hours in June 2019, a reduction of 0.6 per cent over the year. For both part-time and full-time employees, the reduction was in ordinary time hours worked, with no change in the amount of overtime worked.

Differences in hourly earnings by gender remain. The average ordinary time hourly earnings for men in June 2019 were \$34.10, compared to \$30.35 for women. The yearly increase in hourly earnings for women was 4.7 per cent, compared to 4.2 per cent for men, but there is no evidence

⁴The Quarterly Employment Survey (QES) measures income from wages and salaries, but does not include the self-employed or those employed in agriculture, aquaculture & fisheries or the defence force.

that women's average earnings are consistently rising faster than men's and therefore the pay gap is remaining the same.

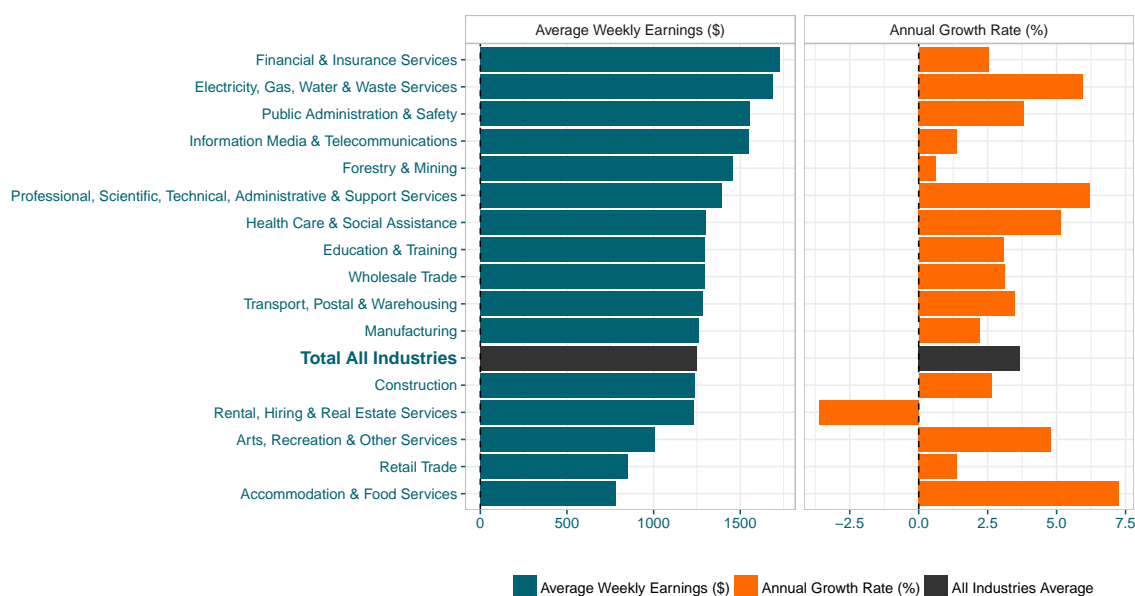
Figure 7: Growth in average hourly earnings by gender



The average hourly earnings in Wellington were \$35.41, higher than in Auckland, Canterbury and the Rest of New Zealand. Compared with a year ago, however, all other regions have had greater percentage increases than Wellington, with average hourly earnings in the Rest of New Zealand increasing by 5.1 per cent, to \$30.36.

The industries with the largest average weekly earnings (including overtime) were Financial & insurance services, and Electricity, gas, water & waste services. In June 2019, FTE employees in both of these industries had average weekly earnings of over \$1,650. Average weekly earnings in the Accommodation & food services industry were below \$800, but had strong annual growth of 7.3 per cent.

Figure 8: Average weekly earnings by industry



Source: Quarterly Employment Survey (QES)

Most industries saw annual wage growth of greater than 2 per cent, but over the quarter, wage growth by industry was mixed. Accommodation & food services had very strong quarterly growth of 4.4 per cent, but remains the industry with the lowest average hourly wage. Workers in Rental, hiring & real estate services had negative annual average wage growth, but had 1.6 per cent growth over the quarter.

One of the key components of wage growth this quarter has been the rise in Minimum Wage. In April 2019, the adult minimum wage rose to \$17.70 per hour – an increase of \$1.20, or 7.3 per cent - as part of the government’s commitment to increase the minimum wage to \$20 by April 2021. As well as increasing the wages of workers who were previously earning below the new minimum wage, those earning above the new rate may also have received an increase as increases were passed on to other roles. Over the last five years, the ratio of the minimum wage to average hourly ordinary time earnings has risen from 50.5 per cent to 54.7 per cent.

Another contributor to wage growth this year is the impact of new or renegotiated collective pay agreements in healthcare, including nurses. Workers in Health care & social assistance had average weekly earnings (including overtime) of almost \$1,300 in June 2019, an increase of 5.2 per cent from last year. A collective pay agreement for teachers was finalised in June and we expect to see the effects of this settlement starting to flow through in the September 2019 quarter.

The Treasury are forecasting continued strong wage growth over the next five years, averaging 3.4 per cent to 2023, increasing above inflation.⁵ Key elements of this forecast are New Zealand’s

⁵Treasury, Budget Economic and Fiscal Update 2019

tight labour market, with historically very high labour force participation and low unemployment, added to current labour market policies such as the minimum wage increase, further pay equity settlements and collective employment agreements.

In addition to increases in wage costs, the Labour Cost Index (LCI) rose 0.7 per cent in the June 2019 quarter, the largest quarterly increase since December 2008, and 2.1 per cent over the year. There were large quarterly increases in Accommodation & food services industries (up 2.3 per cent) and in Retail trade (up 1.4 per cent).

To supplement our quarterly analysis of changes in wages, this report contains a detailed article on long term trends in income, using the Household Economic Survey (HES), the Linked Employer-Employee Data (LEED) and the Income Survey (IS).

Most employees are satisfied with their job and work-life balance

Understanding the state of the labour market in New Zealand involves consideration not just of employment and unemployment, but also of people's experience of work. Information on this is provided from the Survey of Working Life,⁶ a supplement to the HLFS in the December 2018 quarter.

Working arrangements are variable

While working full-time in a permanent job is still the most common type of employment arrangement in New Zealand, other types of employment arrangements are more common than they used to be. Nine per cent of all employees (201,300 workers) were temporary workers. Just over half (53 per cent) of temporary employees usually worked fewer than 30 hours a week in their main job, and a third of these wanted to increase their hours.

Almost one in ten New Zealanders held more than one job (222,900 workers). A fifth of those who had multiple jobs worked 60 hours or more per week across all their jobs compared with 5 per cent of single-job holders. Multiple-job holders were also more likely to have worked at a non-standard time and to have done so more frequently than those with one job.

Most permanent employees considered they had good job security. Almost half said there was almost no chance of them losing their job in the next 12 months, with one-third saying there was only a low chance. A quarter of employed people had been in their job for ten years or more, with a further 17 per cent in their job for between five and ten years.

The majority of employed New Zealanders usually worked all their hours during the traditional Monday to Friday 9am to 5pm model of working. Those working non-standard times (defined as hours worked outside of 7am to 7pm Monday to Friday) were more likely to be employed in Mining, Accommodation & food services, Agriculture, and Forestry & fishing industries.

Half of employees (51 per cent) had flexible start and finish times. Those with flexible hours had slightly higher levels of satisfaction with their work-life balance (79 per cent) than those who

⁶Stats NZ, Survey of Working Life, December 2018. The Survey of Working Life provides data on the job characteristics, employment conditions, and work arrangements of working New Zealanders

didn't have flexible hours (71 per cent).

Around a third of all employees have done some work from home for their main job. Of these, only half had an arrangement with their employer to be paid for all or some of this work. Almost a quarter (22 per cent) of parents with a dependent child had an arrangement to be paid for working from home.

Job satisfaction is strongly linked with the quality of workplace relationships

The quality of the relationship of an employee with their manager and colleagues has an impact on overall job satisfaction. Almost all employees (96 per cent) said their workplace relationships were generally good, and 91 per cent reported having very good or good relationships with their manager. Employees who had very good relationships with their work colleagues had higher levels of satisfaction with their work-life balance (80 per cent) than employees who described their working relationship with colleagues as bad or very bad (33 per cent).

Most employed people (88 per cent) were either satisfied or very satisfied with their main job. A further eight per cent were neither satisfied or dissatisfied with their main job. A lack of job security, low levels of autonomy, poor workplace relationships, and high levels of work-related stress are some of the job-related factors that were more evident for those who were dissatisfied with their main job.

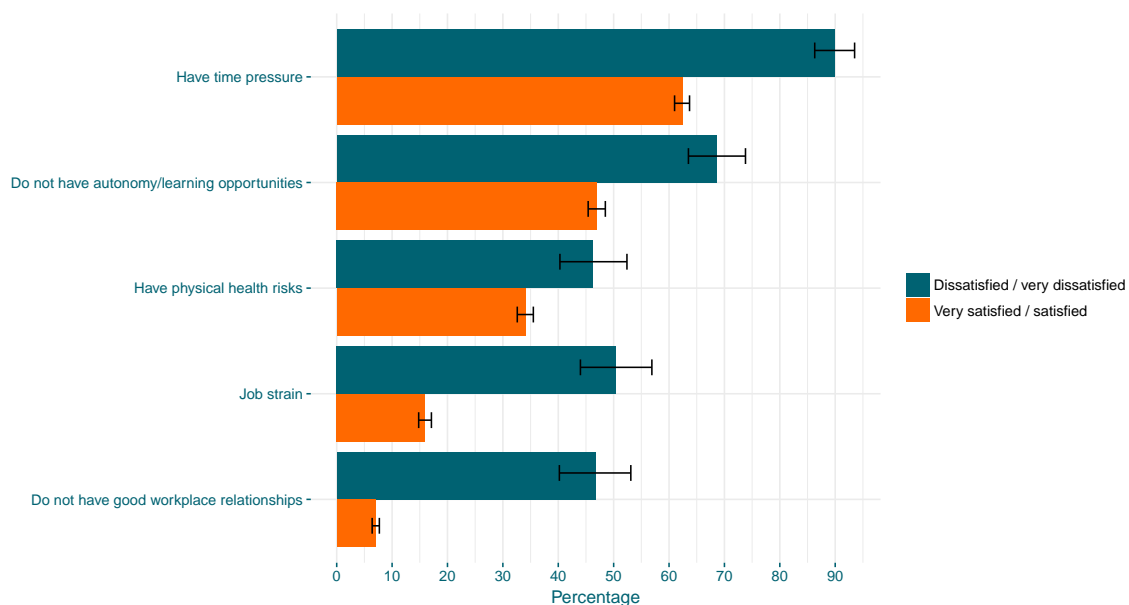
Job satisfaction is also closely tied to general wellbeing. The General Social Survey⁷ showed that people who were dissatisfied with their job had *life satisfaction* and *life worthwhile* scores that were similar to those who were unemployed. Those who were satisfied with their jobs scored significantly higher than those who were dissatisfied.

Job strain

Job strain is a concept developed by the Organisation for Economic Co-operation and Development (OECD) as part of their framework for measuring and assessing job quality. An employee is considered to have job strain if their job demands (i.e. time pressure or physical health risk factors) outnumber their job resources (i.e. workplace autonomy and positive relationships).

⁷Stats NZ, General Social Survey 2018

Figure 9: Proportion of satisfied and dissatisfied employees experiencing job demands, poor job resources, and job strain



Source: Survey of Working Life 2018 (SoWL)

There is a strong relationship between job dissatisfaction and job strain. Half of all employees who were either dissatisfied or very dissatisfied with their main job experienced job strain, compared with only 16 per cent of those who were satisfied with their jobs. Job strain was more evident for Pacific Peoples (27 per cent) and Māori (24 per cent). It was also higher among male employees (22 per cent) than females (16 per cent); and employees aged 15 to 24 years (28 per cent).

Other factors impacting on the quality of employment

The Survey of Working Life includes questions on a wide range of other factors that impact on the experience of working life and the quality of employment. A summary report on these will be published by the Ministry of Business, Innovation and Employment late in 2019.

2. How are firms faring?

■ SUMMARY

The workforce is only one part of the story of the labour market. New Zealand has a lot of small and medium-sized enterprises, for which efficient skill-matching is important. This section assesses business confidence and the ease with which enterprises can find labour.

The number of enterprises in New Zealand continues to grow

In February 2018, New Zealand had 534,930 enterprises.⁸ Less than 1 per cent of enterprises had 100 or more employees, but they engaged 48 per cent of all employees in New Zealand. The number of enterprises grew fastest in the Construction industry, with 1,240 more enterprises than in the previous year.

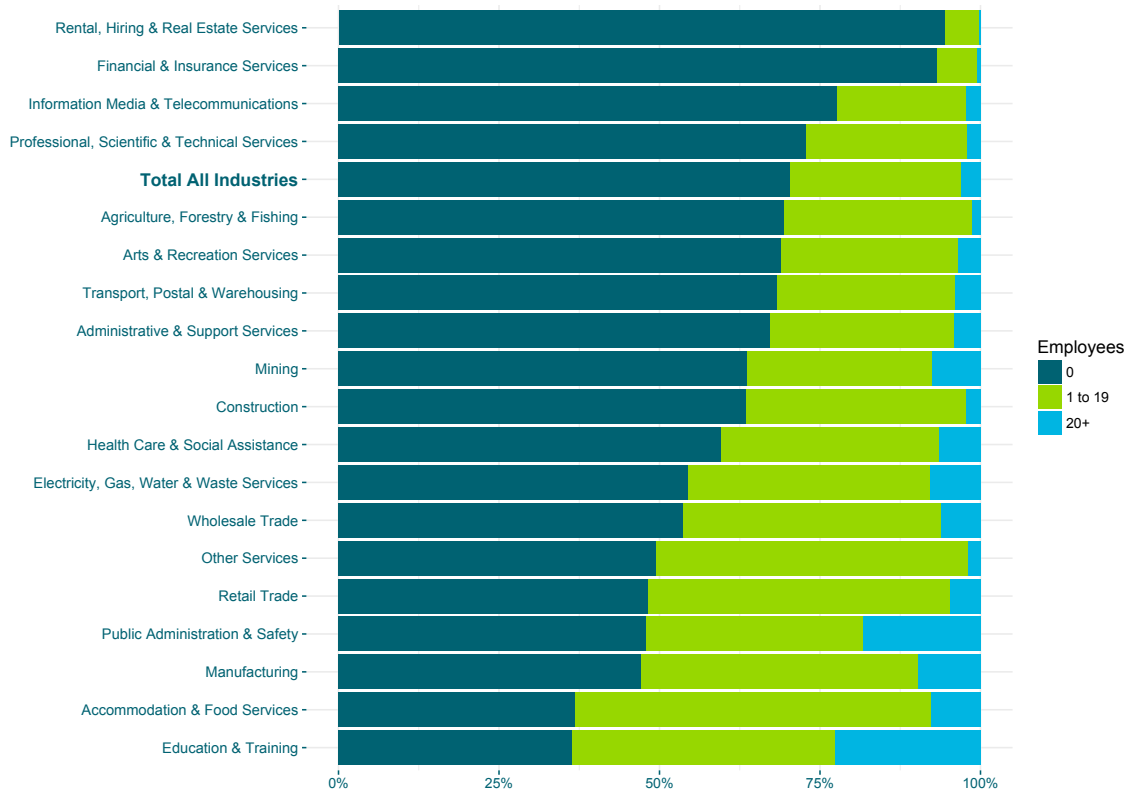
Small businesses are an important part of New Zealand's economy

Small businesses dominate many of our industries, with 70 per cent of enterprises having zero employees (376,790 enterprises) and 27 per cent of enterprises (142,070 enterprises) have 1-19. These are an important part of the economy, with 28 per cent of New Zealand's GDP estimated to be produced by enterprises with fewer than 20 employees.⁹

⁸Statistics New Zealand, Business Demography, Feb 2018

⁹Statistics New Zealand, National Accounts, Mar 2014

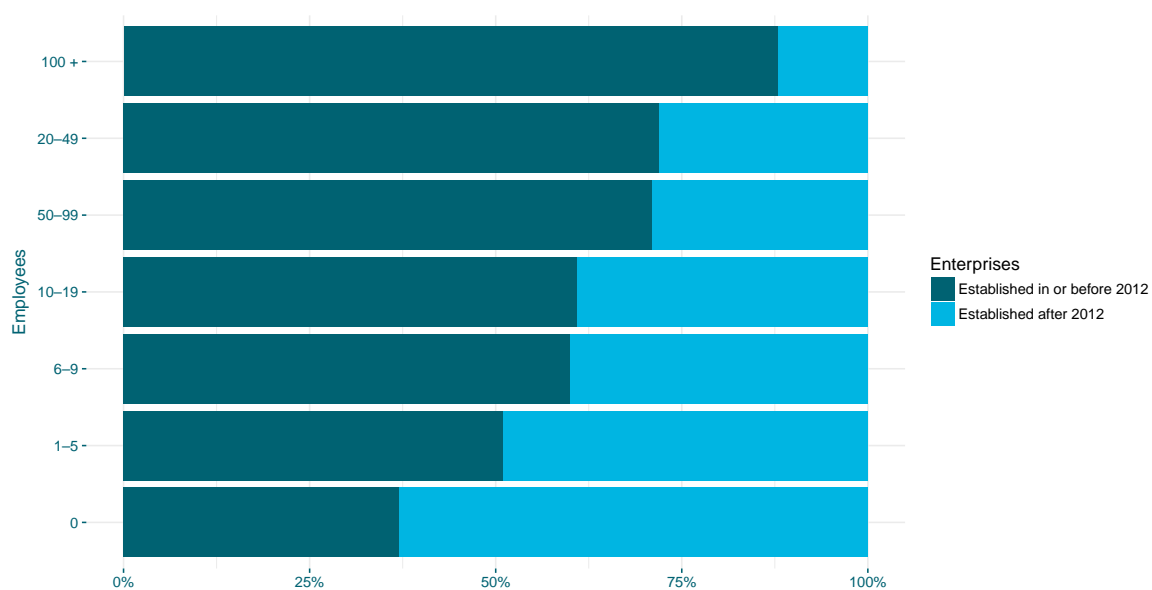
Figure 10: Business size by industry



Source: Stats NZ Business Demography

These small businesses also tend to be younger and experience lower survival rates and high rates of annual job creation and destruction.

Figure 11: Age of businesses by size



Source: Stats NZ Business Demography

Business confidence falls as profitability remains low

The Quarterly Survey of Business Opinion (QSBO) showed business confidence has continued to fall in the June quarter after improving slightly towards the end of 2018. More businesses expect conditions to get worse than to get better, with a net 31 per cent of businesses expecting economic conditions to worsen over the coming months (up from 27 per cent last quarter).¹⁰ ANZ’s Business Outlook, which is more heavily weighted towards the primary sector, showed a net 38 per cent of businesses were pessimistic about the year ahead (no change from last quarter).¹¹

Continued weak profitability remains a concern, with a net 27 per cent of businesses reporting worsening profitability in the June quarter. Businesses are cautious about expanding, with a net six per cent of businesses expecting to increase headcount over the next quarter. ANZ’s Business Outlook reported steady employment intentions and a slight drop in profit expectations over the quarter.

Skill shortages have eased slightly

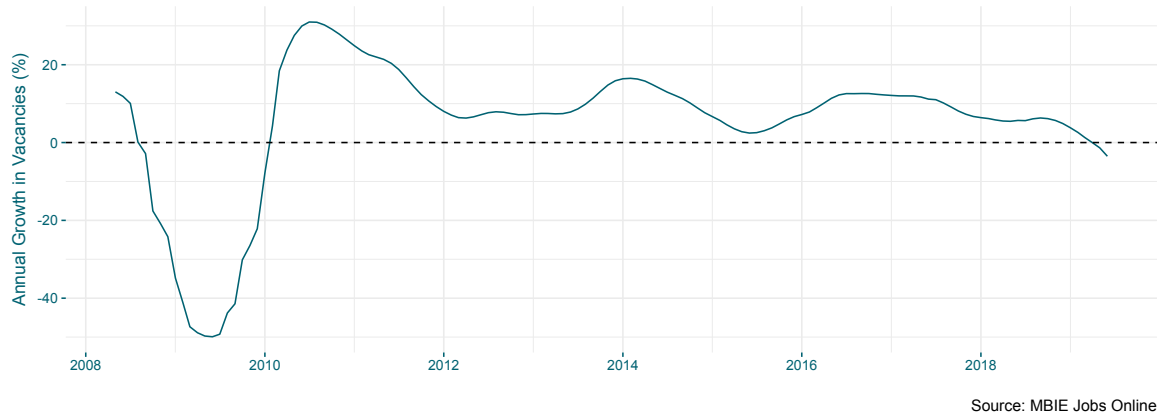
The difficulty finding skilled labour has eased slightly in the June quarter. Online job advertisements have dropped for the first time in several years, by 0.6 per cent in the June 2019

¹⁰NZIER, Quarterly Survey of Business Opinion, June 2019

¹¹ANZ Business Outlook, June 2019

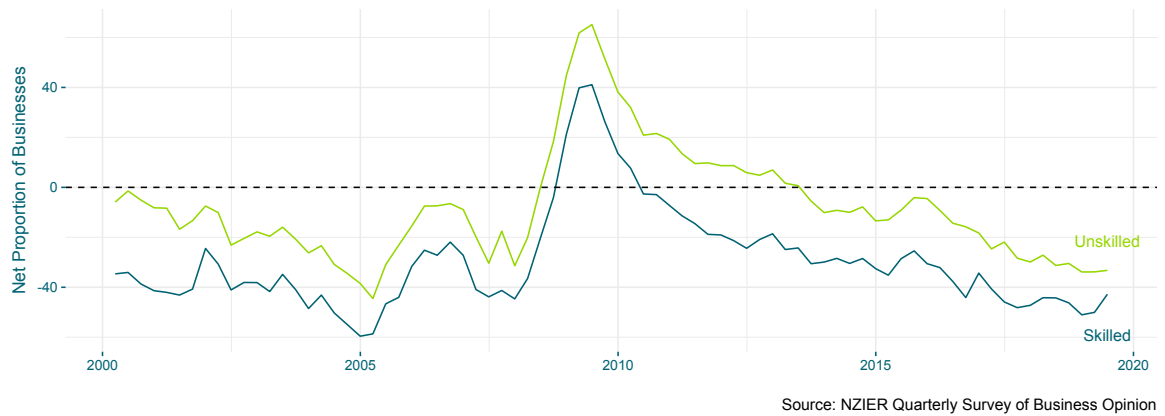
quarter.¹² The only annual increase by broad skill level grouping was for highly-skilled occupations.

Figure 12: Annual growth in online job vacancies



This general trend was echoed in the QSBO, which reported that firms cut back on hiring in the June quarter, led by the manufacturing sector. According to NZIER’s QSBO, a net 43 per cent of businesses reported having trouble finding skilled labour and 34 per cent reported trouble finding unskilled labour. These reported difficulties have been generally increasing since 2009.

Figure 13: Ease of finding labour



¹²MBIE, Jobs Online, June 2019

3. Labour Market Dynamics

■ SUMMARY

An overall picture of the labour market needs to incorporate both what is happening now and what takes place over time. This section examines some labour market trends over time.

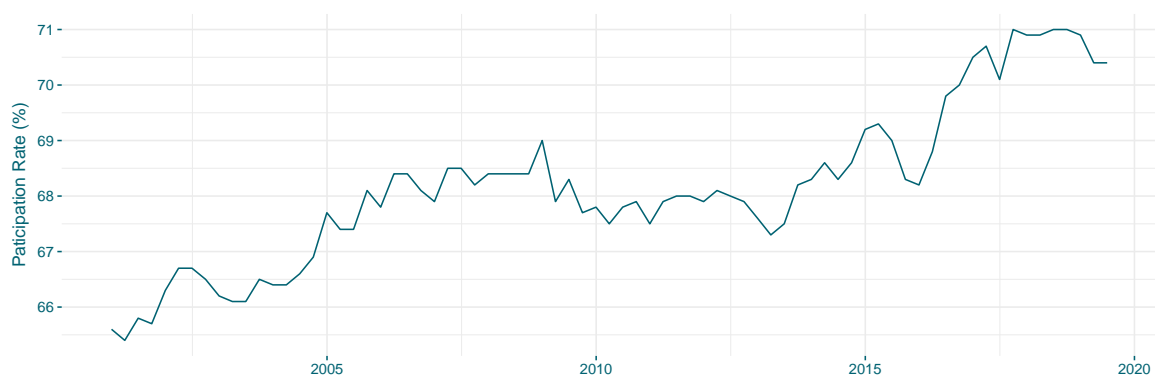
Labour force participation has recently plateaued near a record high

The labour force is the proportion of the working age population (WAP) that is either employed or unemployed. Growth in employment is determined by economic factors and the productivity of the workforce, but the volume of the employment is limited by the potential labour supply. The factors which drive the growth in the WAP are important components of labour market dynamics on the supply side along with those influencing labour force participation rates.

Over the past 20 years, the annual growth rate of the WAP averaged 1.6 per cent (53,000 people per year), but over the last five years the annual growth rate in the WAP was 2.2 per cent (83,000 people per year). This coincided with the peak in the migration cycle, with high levels of net migration contributing more than 60 per cent of the growth in population since 2014.

The labour force participation rate (LFPR) currently sits at 70.4 per cent, having risen from about 65 per cent in 2000 to a record high of 71 per cent in 2017/18. This rise in LFPR is due to a combination of increases in the age at which people are retiring, greater participation in the labour force by women, and the recent high levels of net migration (comparatively more migrants are of working age or younger).

Figure 14: Labour force participation rate



Source: Household Labour Force Survey (HLFS)

Maximum sustainable employment may have been reached

A new feature of New Zealand's labour market is the Reserve Bank's interest in maximum sustainable employment (MSE). The Reserve Bank defines MSE to mean the highest utilisation of labour resources that can be maintained over time without causing inflation. MSE is largely determined by structural factors in the labour market, such as the skill composition of the labour force, the efficiency of matching between employers and job seekers and incentives to work, such as wages.

Indicators suggest we are near MSE. The maximum sustainable level of employment is not directly observable and can vary over time. This makes real-time estimates of MSE highly uncertain. The Reserve Bank seeks to control inflation, and so tries to minimise deviations in employment from MSE.

Employment growth is forecast to slow as economic growth eases

The New Zealand economy experienced solid economic growth of 3.0 per cent per year along with employment growth of 3.4 per cent on average during the last five years. Economic growth is expected to slow to an average rate of 2.7 per cent per year in the medium-term (2018-23) and 2.6 per cent per year over the entire 2018-28 period. This is affected by external factors such as a gradual slowdown of the world economy. Investment spending will drive economic growth over the projection period along with household spending and exports.

MBIE projects average employment growth of 1.6 per cent per year over the medium-term (2018-23 period) and 1.3 per cent per year over the long-term (2023-28 period).¹³ Over the entire 10-year period, annual employment growth is expected to average 1.4 per cent, or 39,400 more workers, each year.

Strong growth in domestic demand underpins the medium-term employment projections. Activities in the Construction, Tourism and Services industries, and population-led growth in household spending will drive employment growth during this period. The medium-term employment projections also incorporate a balance between export-led growth and growth driven by domestic household consumption. This period will also experience investment growth in residential construction and infrastructure work across the regions.

¹³MBIE, Medium-long-term employment outlook: Looking ahead to 2028

4. Conclusions

Overall the state of the labour market is generally positive. Unemployment has fallen to an 11-year low, and wage growth has improved. Gradual inroads are being made into disparities such as gender and ethnic gaps, and people generally like their work.

However, not everything is improving. There has been a short-term drop-off in business confidence, and employment growth is forecast to slow over the next few years.

5. A Spotlight On: Changes in Real Earnings and Income Levels over Time

■ SUMMARY

One of the goals of the Ministry of Business, Innovation and Employment (MBIE) is to achieve improvement in the living standards of all New Zealanders. Earnings and income are important means by which to measure living standards. This *Spotlight* section examines changes to real earnings and income over time.

■ TECHNICAL BACKGROUND

Trends in the real earnings and income of individuals and households by region, industry and occupation groups are presented here. The data used in this section comes from the Household Economic Survey (HES), the Linked Employer-Employee Data (LEED) and the Income Survey (IS). They are all in real (2017 dollars) terms, deflated using the Consumer Price Index.

The HES collects data by households, rather than individuals, with the focus on household spending and income levels rather than labour market demographics. The LEED data are taken from administrative tax records and include data on all sources of income and specific jobs. As they use tax data, which is able to link employees to specific jobs with employers, these are the most accurate and comprehensive income data available. However, due to the timeframes of the tax system and complex data linking processes, LEED data at a person level are only made available 18 months after their reference period. The IS is an annual module of the Household Labour Force Survey that provides information on income from wages and salaries as well as self-employment and benefits. It also collects a wide range of demographic data, such as gender, age, ethnicity and education.

Both individual and household real incomes have risen but became more uneven over recent years

Since 2007, both personal and household incomes have risen in real terms based on HES data, with household income rising faster than personal income. This is most likely due to the greater increase in the number of wage earners (up 1.4 per cent annually) compared to the average increase in the number of households (up 0.9 per cent annually).¹⁴ The real mean income (both

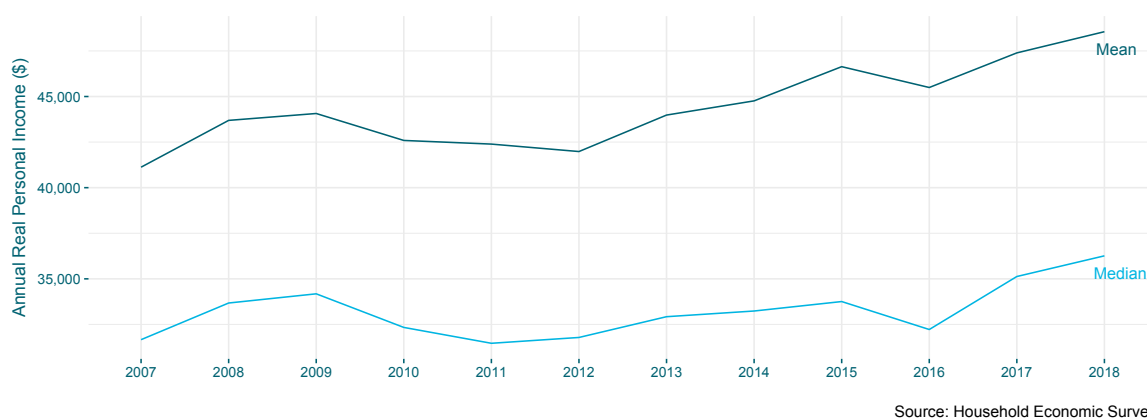
¹⁴Stats NZ, Dwelling and household estimates, June 2019 quarter

personal and household) also rose faster than the corresponding real median income, suggesting an increasing concentration of earnings at the lower end of the wage distributions.

Table 1: Annual Real Personal and Household Income levels and Growth rate

Measure	2007	2018	Annual Average Growth Rates
Personal: Real Mean Income	\$41,100	\$48,600	1.5%
Personal: Real Median Income	\$31,700	\$36,300	1.2%
Household: Real Mean Income	\$85,400	\$106,700	2.0%
Household: Real Median Income	\$70,400	\$84,300	1.6%

Figure 15: Annual Real Personal Mean and Median Income (2017\$)



Higher household income levels in larger regions but their growth not strongest over this period

Data on household income is also available for five broad regions in the HES (see Table 2). The regional HES data indicate that real mean household income was highest in the Auckland and Wellington regions. This could be attributed to the concentration of high-paying industries such as financial and business services industries in Auckland and the public service sector in Wellington.

The highest growth in real mean household income over this period was in the Rest of North Island (2.5 per cent) followed by the Canterbury (2.0 per cent) region. The Rest of the North Island includes the Taranaki region, which has had the highest per capita income in New Zealand in recent years. The prevalence of highly skilled workers in the Mining industry in Taranaki possibly contributed to this strong growth. In the case of Canterbury, the recovery and rebuild after the 2010 and 2011 Christchurch earthquakes and the influx of a range of Construction and Support sector related professionals had the greatest impact on household income growth.

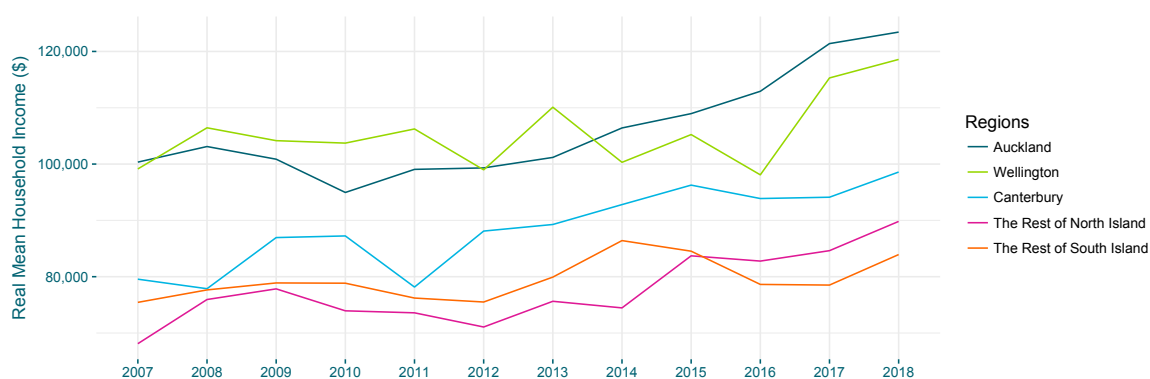
Both the level and growth of real mean household income was lowest in the Rest of the South

Island. This was possibly related to the region having high levels of relatively lower skilled labour intensive industries, particularly hospitality in the Tourism sector and agriculture in the Primary sector.

Table 2: Real Mean Household Income and Growth rates by Regions

Regions	2007	2018	Annual Average Growth rate
Auckland	\$100,300	\$123,400	1.9%
Wellington	\$99,100	\$118,600	1.6%
Rest of the North Island	\$68,100	\$89,800	2.5%
Canterbury	\$79,600	\$98,600	2.0%
Rest of the South Island	\$75,400	\$83,900	1.0%

Figure 16: Annual Real Mean Household Income by Region (2017\$)



Source: Household Economic Survey

Number of wage & salary earners rose more than self-employed but earnings growth was lower

Since 2007, based on LEED data, the counts of self-employed earners have risen at a much lower rate than counts of wages & salary earners (see Table 3), however, self-employed real median earnings have increased faster over recent years (see Table 4). Following the Global Financial Crisis (GFC), the counts of both wages & salary earners, and self-employed declined. The real earnings of the self-employed declined substantially during the 2009 and 2010 March years.

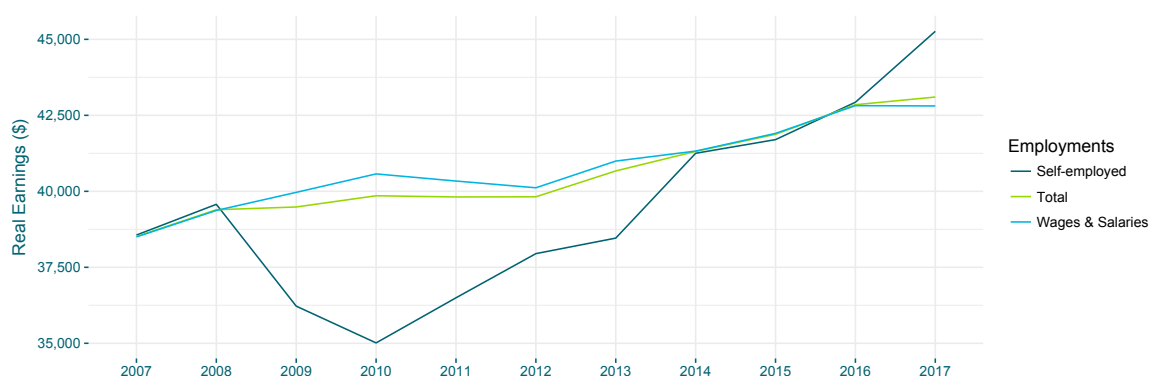
Table 3: Counts of Earners and Average Growth Rates by Types of Earners

Counts	2007	2017	Annual Average Growth rate
Total	2,287,100	2,601,900	1.3%
Wages & Salary Earners	1,892,200	2,173,000	1.4%
Self-employed Earners	394,900	428,900	0.8%

Table 4: Real Median Earnings and Growth Rates by Types of Earners

Real Earnings	2007	2017	Annual Average Growth rate
Total	\$38,500	\$43,100	1.1%
Wages & Salary Earners	\$38,500	\$42,800	1.1%
Self-employed Earners	\$38,600	\$45,300	1.6%

Figure 17: Annual Real Earnings by Type



Source: Linked Employer-Employee Data (LEED)

Earnings in Processing & manufacturing were higher, but the primary sector had stronger growth

Amongst four broad industry groupings (aggregated from data for 19 individual industries), the highest annual average growth in real median earnings was seen in the Primary sector, followed by Private services. Growth in real earnings in the primary sector was likely driven by the Agriculture, forestry & fishing industries, while growth in real earnings in the private services was related to the rise in the Accommodation & food services, Retail trade and Electricity, gas, water & waste services industries.

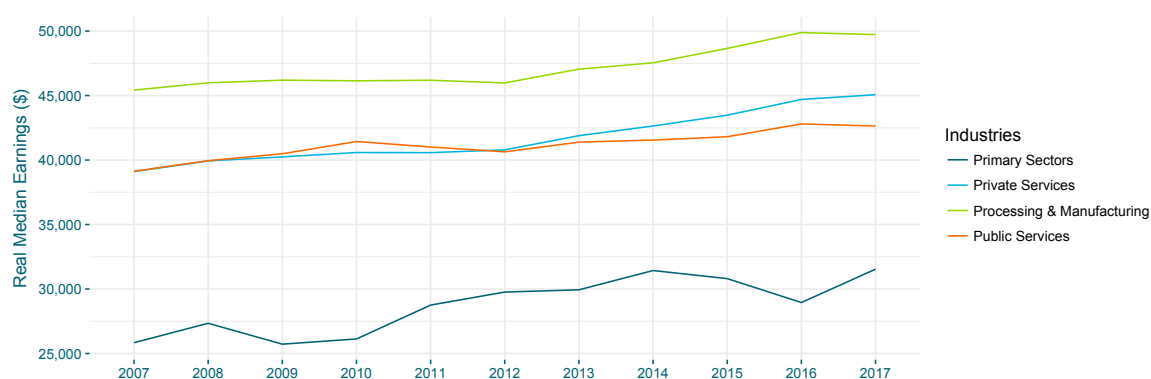
Real mean earnings were highest for Processing & manufacturing. However, the annual average growth rate of real median earnings was the lowest in the Processing & manufacturing and Public services industries. For Public services, this was mainly due to slower growth in the real earnings

in the Education & training sector.

Table 5: Total Real Earnings and Growth rates by Industry

Industry	2007	2017	Annual Average Growth rate
Primary sector	\$25,800	\$31,500	2.0%
Processing & manufacturing	\$45,400	\$49,700	0.9%
Private services	\$39,100	\$45,100	1.4%
Public services	\$39,100	\$42,600	0.9%

Figure 18: Annual Total Real Median Earnings by Industry (2017\$)



Source: Linked Employer-Employee Data (LEED)

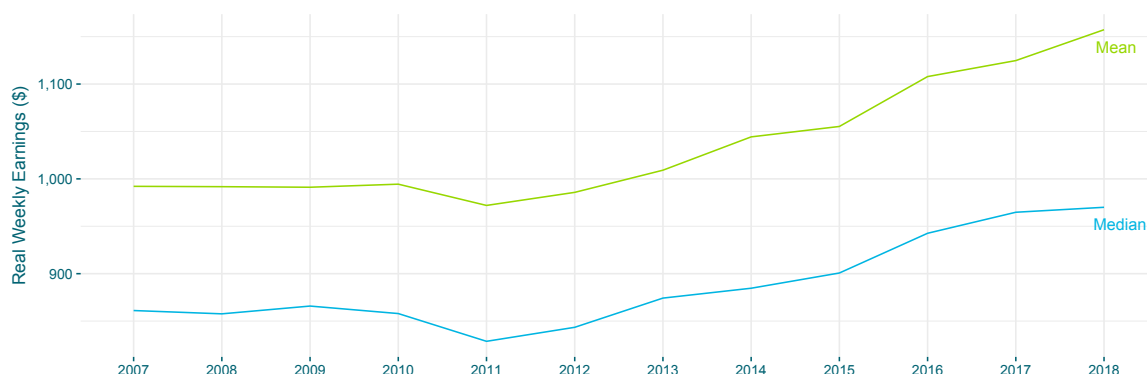
The unevenness in the overall distribution of weekly earnings has worsened over recent years

For real weekly earnings data from the Income Survey, real mean weekly earnings is greater than real median weekly earnings, therefore, there are proportionally more low-income earners. Since 2007, real mean weekly earnings have increased faster than real median weekly earnings, indicating that wage growth has been uneven between people earning at different levels.

Table 6: Real Mean and Median Weekly Earnings and Changes

Real Weekly Earnings	2007	2018	Annual Average Growth rate
Mean	\$992	\$1,157	1.4%
Median	\$861	\$970	1.1%

Figure 19: Real Weekly Earnings Distribution (2017\$)



Source: Income Survey

Improvements in the evenness of earnings for lower-paid occupations

Since 2009, the real median weekly earnings for Community & personal services workers, Sales workers and Machinery operators & drivers have risen at a higher rate than the corresponding real mean weekly earnings. This means that there has been some improvement in the evenness of the distributions of real weekly earnings for these three occupational groups over recent years.

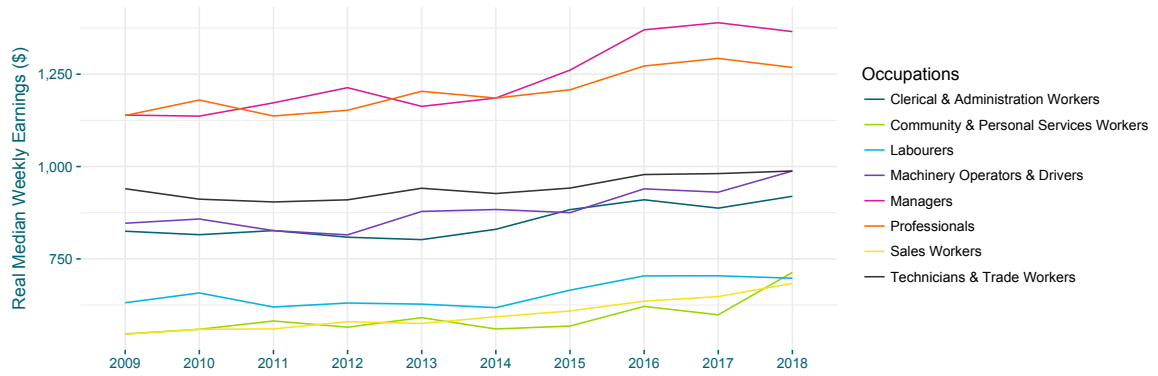
The real mean weekly earnings for Managers, Professionals, and Clerical & administration workers have increased faster than corresponding real median weekly earnings respectively. This suggests that there was some deterioration in the evenness in the distribution of real weekly earnings for these three occupational groups over the last ten years.

For the Technicians & trade workers and Labourers occupation groups, there was no improvement in the evenness of distributions of real weekly earnings over the last ten years, as the real mean and median weekly earnings increases were about equal.

Table 7: Real Median Weekly Earnings and Changes by Occupation

Occupation Group	2009	2018	Annual Average Growth rate
Managers	\$1,139	\$1,365	2.0%
Professionals	\$1,138	\$1,268	1.2%
Technicians & Trade Workers	\$940	\$988	0.6%
Community & Personal Services Workers	\$547	\$713	3.0%
Clerical & Administration Workers	\$825	\$919	1.2%
Sales Workers	\$861	\$684	2.5%
Machinery Operators & Drivers	\$846	\$988	1.7%
Labourers	\$631	\$698	1.1%

Figure 20: Real Median Weekly Earnings by Occupation (2017\$)



Source: Income Survey

Links

This is the first report to include the *Spotlight* section. If you have any feedback, suggestions for future topics or questions, please contact us at: LabourMarketInsights@mbie.govt.nz

Other products that we produce are:

Labour Market Dashboard:

https://mbienz.shinyapps.io/labour-market-dashboard_prod/

Jobs Online:

<https://www.mbie.govt.nz/business-and-employment/employment-and-skills/labour-market-reports-data-and-analysis/jobs-online/>

Labour Market Forecasting:

<https://www.mbie.govt.nz/business-and-employment/employment-and-skills/labour-market-reports-data-and-analysis/labour-market-forecasting/>

National Survey of Employers:

<https://www.mbie.govt.nz/business-and-employment/employment-and-skills/labour-market-reports-data-and-analysis/national-survey-of-employers/>

Occupation Outlook:

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