



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

Quarterly Labour Market Report

JUNE 2020





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

Ministry of Business, Innovation and Employment (MBIE)

Hikina Whakatutuki - Lifting to make successful

MBIE develops and delivers policy, services, advice and regulation to support economic growth and the prosperity and wellbeing of New Zealanders.

MBIE combines the former Ministries of Economic Development, Science + Innovation, and the Departments of Labour, and Building and Housing.

More information

www.mbie.govt.nz

0800 20 90 20

Information, examples and answers to your questions about the topics covered here can be found on our website www.mbie.govt.nz or by calling us free on 0800 20 90 20.

Disclaimer

This document is a guide only. It should not be used as a substitute for legislation or legal advice. The Ministry of Business, Innovation and Employment is not responsible for the results of any actions taken on the basis of information in this document, or for any errors or omissions.

ISSN 2253-5721

September 2020

©Crown Copyright 2019

The material contained in this report is subject to Crown copyright protection unless otherwise indicated. The Crown copyright protected material may be reproduced free of charge in any format or media without requiring specific permission. This is subject to the material being reproduced accurately and not being used in a derogatory manner or in a misleading context. Where the material is being published or issued to others, the source and copyright status should be acknowledged. The permission to reproduce Crown copyright protected material does not extend to any material in this report that is identified as being the copyright of a third party. Authorisation to reproduce such material should be obtained from the copyright holders.

Purpose

The *Quarterly Labour Market Report* presents MBIE's assessment of the overall state of the labour market in the June 2020 quarter. The main focus is on understanding the effect of COVID-19 and the changing Alert Levels on both businesses and workers.

This report brings together the latest findings from MBIE's labour market monitoring, labour market assessments of Stats NZ and other key agencies and related research. The main data source for this report is Stats NZ's Labour Market Statistics release, which includes the Household Labour Force Survey (HLFS), the Quarterly Employment Survey (QES) and the Labour Cost Index (LCI).

The report includes the following:

- A timeline of Alert Levels over the June quarter.
- Analysis of how the lockdown has affected workers. The underutilisation rate has increased, with many workers either working from home, working reduced hours or unable to work at all. This has led to an increased number of people on benefits and a rise in concerns about job security.
- Analysis of how the changing Alert Levels reduced operational capacity for businesses. The COVID-19 Wage Subsidy and Leave Payment Scheme, which was introduced to assist businesses in paying their staff, received wide uptake. However, many businesses may be forced to close or reduce headcount in the coming months once the subsidy ends.

New Zealand's labour market - June quarter

- The number of people employed didn't see a strong reduction in the June quarter, likely due to the wage subsidy scheme. However, many labour market indicators showed strain, with a rise in underutilisation and a fall in labour market participation as the effects of COVID-19 lockdown were felt.
- The unemployment rate fell slightly to 4.0 per cent, from 4.2 per cent last quarter. For men, the unemployment rate fell to 3.6 per cent, down from 4.0 per cent last quarter. For women, the unemployment rate rose slightly to 4.4 per cent from 4.3 per cent.
 - To be classified as unemployed, a person must be actively seeking work, which many found difficult due to the lockdown. As the quarter progressed and New Zealand moved down through the Alert Levels, the unemployment rate rose from just under 3.0 per cent at Alert Level 4 to nearly 5.0 per cent at Alert Level 1.
- The underutilisation rate rose to 12.0 per cent, up from 10.4 per cent last quarter. This is the largest quarterly rise since the series began in 2004.
 - For women, the underutilisation rate rose to 14.9 per cent, up from 12.7 per cent. For men, the underutilisation rate rose to 9.4 per cent from 8.3 per cent.
 - Over the quarter, the number of:
 - Unemployed people fell by 6,000 to 111,000.
 - Underemployed people rose by 33,000 to 125,000.
 - People in the potential labour force rose by 18,000 to 111,000.
- The labour force participation rate fell to 69.7 per cent, down from 70.5 per cent last quarter. This was due to 17,000 fewer people in the labour force and 37,000 more people not in the labour force (NILF).
- Salary and wage rates rose by 0.2 per cent over the quarter. This increase was driven by the minimum wage increase in April, but was the lowest quarterly rise since December 1994.
 - Over the quarter, total hours worked (down 10.3 per cent) fell much more sharply than average weekly paid hours (down 3.1 per cent).
 - Because of the reduction in hours paid, over the quarter:
 - Private sector weekly earnings fell by 3.8 per cent to \$1,158.25.
 - Public sector weekly earnings fell by 1.2 per cent to \$1,593.22.
- The labour market results for the September 2020 quarter will be available in November, and are expected to more broadly show the impact of COVID-19. As the wage subsidy ends and more people start actively seeking work, we can expect employment to fall and unemployment to rise.

1. Timeline of Alert Level changes over the June quarter

The June 2020 quarter was one of the most turbulent quarters for the labour market due to COVID-19 and the restrictions the Alert Levels brought to New Zealand workers and businesses.

The country started the quarter in lockdown as Alert Level 4 (Lockdown) came into force on Wednesday 25 March. In Level 4, only essential services were able to remain running and people were instructed to stay at home other than for essential personal movement.

On Monday 27 April the Alert Level was reduced to Level 3 (Restrict), which meant that businesses could open premises, but could not physically interact with customers.

The Alert Level was further reduced on Wednesday 13 May to Level 2 (Reduce), which allowed businesses to open to the public provided they followed public health guidance including physical distancing and record keeping. At this level, hospitality businesses had to keep groups of customers separated, seated and served by a single person.

The quarter ended with the country in Level 1 (Prepare), which came into force on Monday 8 June. At this level, border entry measures were in place and while there was no restriction on personal movement people were encouraged to maintain a record of where they had been and retain good personal hygiene measures.

This quarter reflects time spent at all four alert levels. The Labour Market Statistics released recently by Stats NZ thus represents the “average” state of the labour market across the 13 weeks in the June 2020 quarter.

2. How is the workforce faring?

■ HIGHLIGHTS

- The unemployment rate fell slightly due to people being unable to actively seek work (a requirement for being classified as unemployed) during the lockdown.
- The underutilisation rate saw the largest quarterly rise on record, due to strong increases in both the number of people underemployed and in the potential labour force.
- Because of the lockdown, many people were either forced to work from home, or were unable to work.
- Workers are concerned about losing their jobs, with temporary employees and self-employed the worst affected.

The unemployment rate fell slightly in the June 2020 quarter

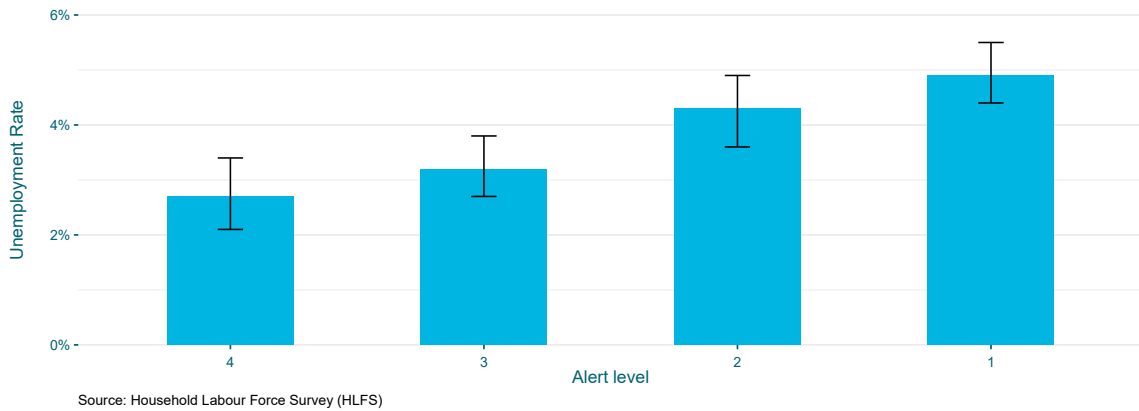
In the June 2020 quarter, the official unemployment rate fell slightly to 4.0 per cent. The unemployment rate is often taken as the headline indicator for the state of the labour market, however it does not tell the whole story.

To be classified as unemployed, a person must not have a job, be available to start work, and be actively seeking work.¹ Due to the lockdown, a number of people without jobs were unable to actively seek work or were unavailable to start work. A jobless person who did not meet all three criteria to be counted as unemployed were instead classified as not in the labour force (NILF).

The HLFS was collected throughout all 13 weeks of the June quarter. When responding, all adult members of the household were asked about their activity during a particular reference week. As the quarter progressed and New Zealand moved down through the Alert Levels, this allowed Stats NZ to estimate how the unemployment rate rose from slightly below 3.0 per cent at Alert Level 4 to nearly 5.0 per cent at Alert Level 1.

¹Stats NZ adheres to best practice and required standards set by the International Labour Organisation (ILO). These standards were kept constant in response to COVID-19 to ensure international comparability and consistency of estimates.

Figure 1: Unemployment rate by national COVID-19 Alert Level



Underutilisation saw the largest quarterly rise on record

In the June 2020 quarter, the underutilisation rate rose to 12.0 per cent (up from 10.4 per cent last quarter), the largest quarterly rise since the series began in 2004. While the total number of unemployed people has fallen slightly (down 6,000 people), the numbers of people either underemployed (up 33,000 people) or in the potential labour force (up 18,000 people) have risen strongly. The underutilisation rate provides a more comprehensive measure of spare capacity in the labour market than the unemployment rate.

Figure 2: Underutilisation rate by gender

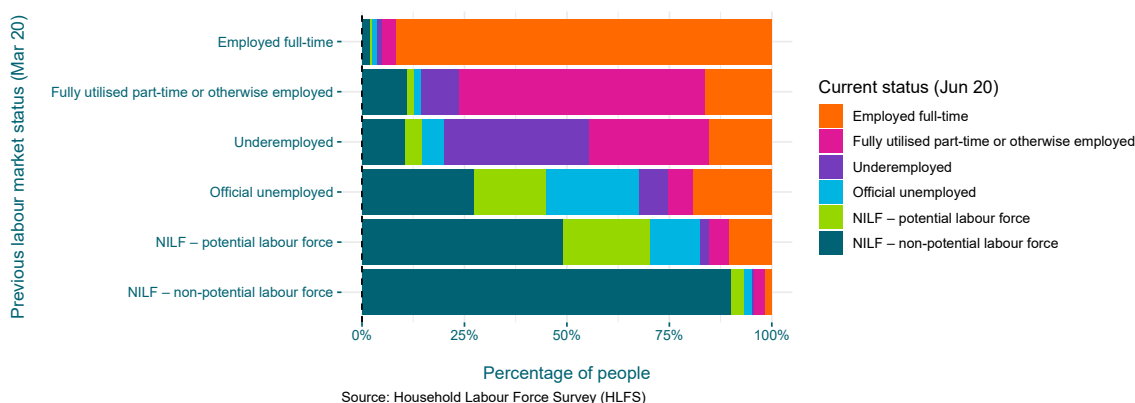


■ UNDERUTILISED PEOPLE ARE NOW MORE LIKELY TO LEAVE THE LABOUR FORCE THAN IN PREVIOUS QUARTERS

Uncertainty about the future, despite the wage subsidy keeping workers attached to their jobs, has meant that traditional patterns of labour market flows have shifted. Compared with before COVID-19:

- Unemployed people are now more likely to move to the potential labour force or NILF and less likely to remain unemployed.
- Underemployed people are less likely to gain full employment, and are more likely to either remain underemployed or move to the potential labour force or NILF.
- People in the potential labour force are less likely to enter the labour force by either becoming employed or officially unemployed, and are more likely to move to NILF.

Figure 3: Current work status of people based on the status last quarter



■ THE IMPACTS OF COVID-19 HAVE BEEN FELT BY PEOPLE THROUGHOUT THE LABOUR MARKET

COVID-19 has proved disruptive to many workers, with people reporting COVID-19 as the main reason for being away from work (214,800 people) or working fewer hours than usual (333,700 people) during the reference week. In addition, people stated that COVID-19 was the main reason for leaving their last job (35,700 people), not looking for a job (29,300 people), and not being available to start a job (5,600 people).

Workers in certain occupations were much more likely to be able to work from home

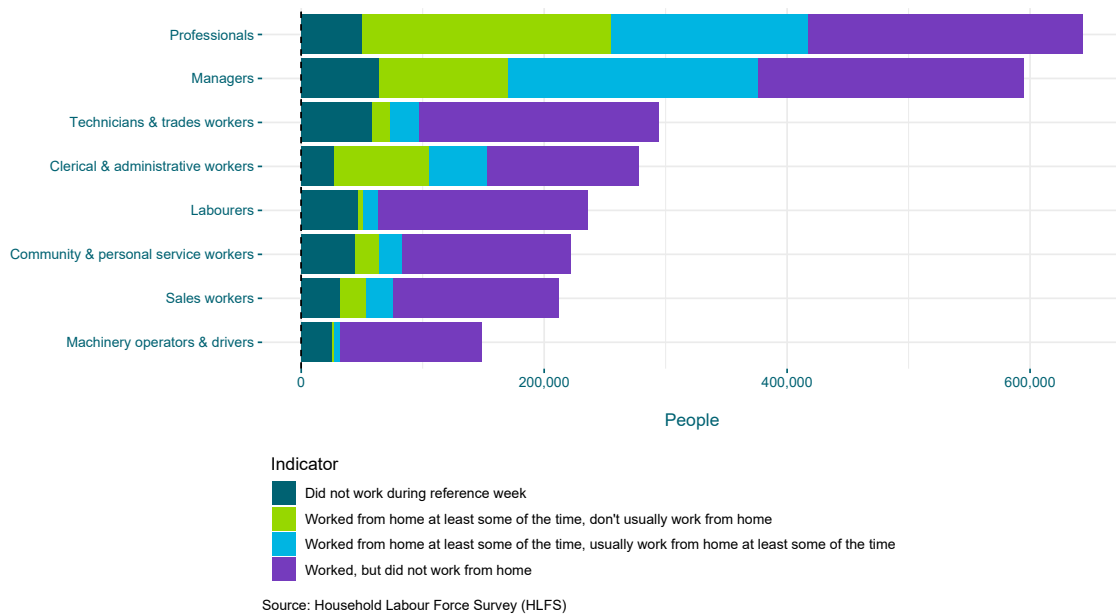
Of the 958,200 people who worked from home during the reference week, 48 per cent (456,000 people) reported that they didn't usually work from home. This varied strongly with age: for workers aged 15-24 who worked from home, 63 per cent reported they didn't usually work from home, while for people working from home in the 65+ age group, only 25 per cent reported they didn't usually work from home.

Essential services workers were spread relatively evenly across household income groups, with a slight increase in the proportion with increasing household income. Also, workers from higher income households were much more likely to report being able to work from home and less

likely to have become unemployed during the lockdown.²

People who worked from home were more likely to report working fewer hours than usual (29 per cent) than people who went out to work (20 per cent). People who worked as Professionals, Managers, or Clerical & Administrative workers were more likely to be able to work from home than people in other occupations.

Figure 4: Number of people who worked from home by occupation



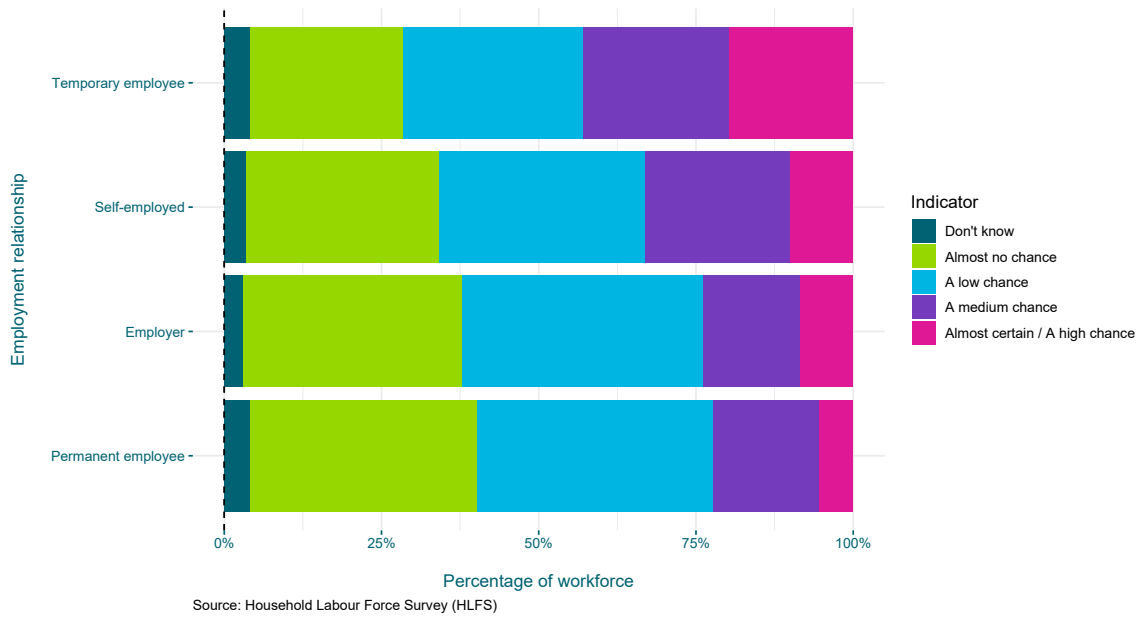
Many workers feel that they might lose their job in the next 12 months

Twenty-five per cent of all workers reported an 'almost certain / high chance' or 'medium chance' of losing their job or business in the next 12 months.

This perceived job security varied by a range of factors. Increasing job tenure came with an increasing feeling of job security: 31 per cent of workers who were in their current job for less than a year felt they were likely to lose their job in the next 12 months, compared with just 23 per cent of workers who had held their job for 5 years or longer. Only 15 per cent of union members felt that they were at risk of losing their job. Temporary employees and self-employed also felt they were at higher risk of losing their jobs than permanent employees or employers.

²Life in Lockdown report, Victoria University of Wellington

Figure 5: Proportion of people concerned about losing their job in the next 12 months

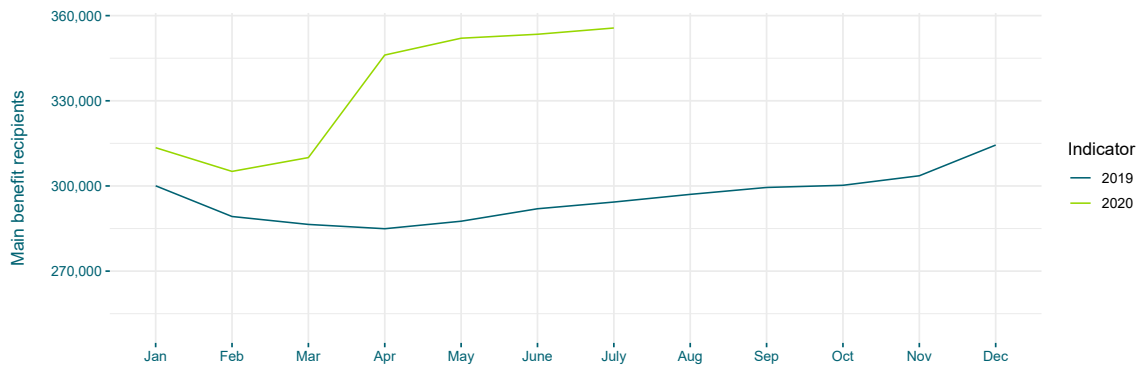


The number of main benefit recipients increased sharply in April

In July 2020, 355,640 people received a main benefit, an increase of 61,400 since the same time last year and an increase of 2,200 over the last month. The number of recipients increased rapidly from late March and throughout April, but has stabilized since May. A further 20,020 people received the COVID-19 Income Relief Payment, which is not included in the main benefit total, although only 2,920 recipients had transferred from Jobseeker Support.³

³<https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/benefit/latest-quarterly-results/all-main-benefits.html>

Figure 6: Main benefit recipients

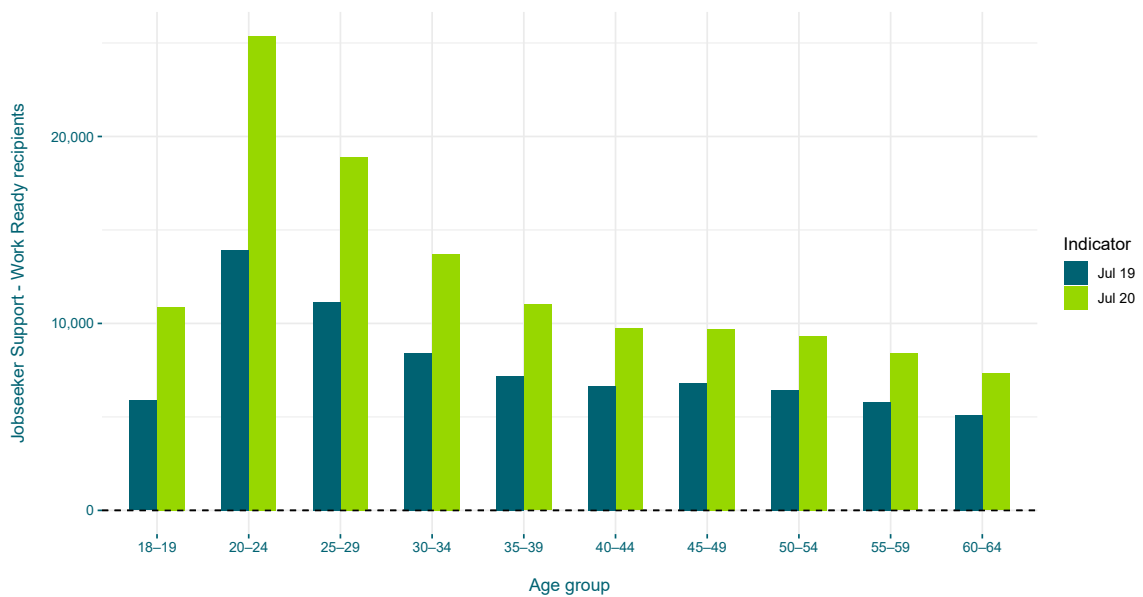


Source: Ministry of Social Development (MSD)

■ THE NUMBER OF BENEFIT RECIPIENTS IS 60 PER CENT HIGHER THAN AT THE SAME TIME LAST YEAR

Over the last year, the number of people receiving Jobseeker Support Work-Ready benefits has increased by over 60 per cent. There have been increases for all age groups, but increases of over 80 per cent for those aged 24 or less.

Figure 7: Jobseeker Support Work-Ready benefit recipients by age group



Source: Ministry of Social Development (MSD)

■ THE NUMBER OF JOBSEEKER SUPPORT RECIPIENTS GENERALLY FOLLOWS A SIMILAR PATTERN TO THE NUMBER OF UNEMPLOYED INDIVIDUALS

Benefits are primarily a measure of how many people require income support rather than how many people are unemployed, but since 2008 the number of Jobseeker Support recipients has aligned closely with the number of unemployed individuals. We are measuring All Main Working Age Benefits here to cover additional circumstances in which someone could need additional income – as a better proxy for the underutilisation rate, which is a more useful measure of “slack” in the labour market than unemployment alone.

MSD and MBIE are continuing to investigate the relationship between benefits and underutilisation in the labour market. By region, the percentage of the population receiving benefits has a similar distribution to regional unemployment rates, while the regional growth in benefit recipients is more tied to the main industries present in the region.

3. How are firms faring?

■ HIGHLIGHTS

- Businesses found it difficult to stay open due to the lockdown, with many businesses operating at reduced capacity.
- Industries such as Construction and Accommodation & food services were affected much more than others during the different alert levels due to the changing rules and restrictions.
- The wage subsidy achieved its main objective by supporting many businesses and helping keep people employed despite a large reduction in the total hours worked.
- Business confidence remains low, with many businesses intending to reduce headcount in the coming months.

The Essential Services list largely determined the maximum level of firm activity under Alert Level 4

When the lockdown was first announced, MBIE created estimates of how Alert Levels 4 and 3 would affect the size and characteristics of the workforce. These estimates included the number of people classified as Essential Services workers under Alert Level 4, the number of people working at firms allowed to operate under Alert Level 3, and the number of people who would be able to work from home.

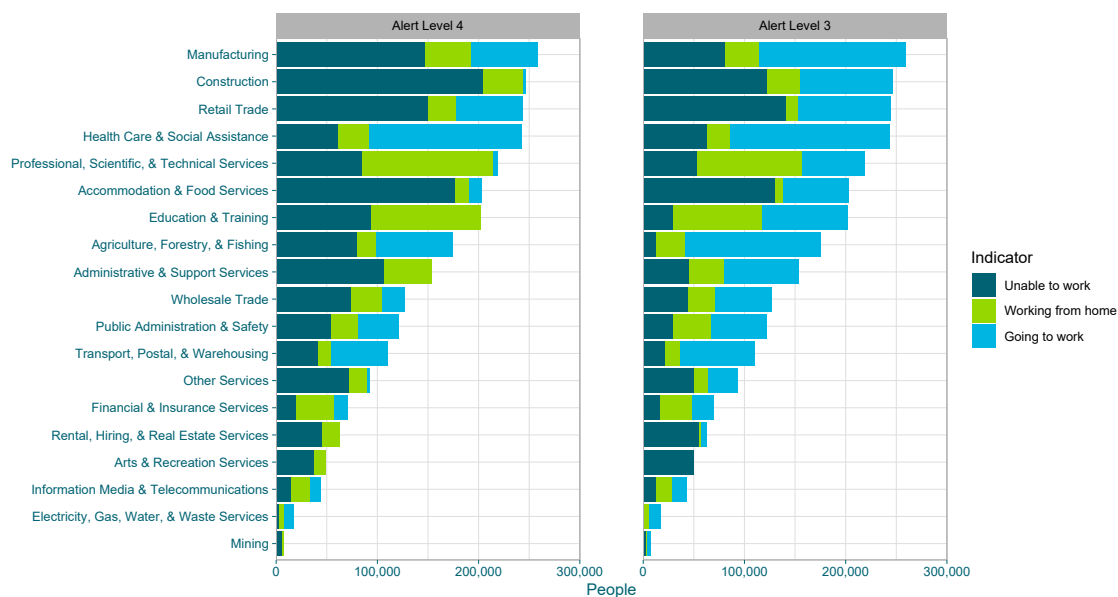
Alert Level 4	Essential service	Non-essential service	Total
Going to work	529,000	NA	529,000
Working from home	139,000	501,000	640,000
Unable to work	457,000	1,019,000	1,476,000
Total	1,125,000	1,520,000	2,645,000

Alert Level 3	Operational service	Non-operating service	Total
Going to work	1,172,000	NA	1,172,000
Working from home	507,000	NA	507,000
Unable to work	829,000	137,000	966,000
Total	2,508,000	137,000	2,645,000

Under Alert Level 4, slightly more women were able to go out to work than men due to the continued operation of the Health Care and Social Assistance industry. However this pattern

reversed with the change to Alert Level 3 due to the restart of Construction and increase in Manufacturing activity, both of which are more male-dominated industries.

Figure 8: Ability to work at different alert levels by industry



Source: Stats NZ Business Demography; Linked Employer-Employee Data (LEED)

Many businesses experienced difficulties during the lockdown

While 85 per cent of businesses were operating in some form during Alert Levels 4 and 3, only 36 per cent were operating fully and 49 per cent were operating partially. Of the businesses still operating, 82 per cent did so with lower revenue than pre-lockdown (this is 70 per cent of all businesses). Half of the businesses with lower revenue experienced a revenue reduction of 50 per cent or more.⁴

Businesses reported faced a range of difficulties during Alert Levels 4 and 3. The main issue was cash flow (46 per cent). Other issues were paying tax (32 per cent), paying themselves (28 per cent) paying their rent (23 per cent) and paying for goods received (18 per cent).

The COVID-19 wage subsidy scheme had wide uptake

The COVID-19 Wage Subsidy and Leave Payment Scheme was introduced to assist businesses in paying their staff. It allowed businesses to claim \$585.80 per week per full time employee (\$350 per part time employee) for up to 12 weeks. Applications to this scheme closed on 9 June. An extension scheme was introduced from 10 June, providing support for up to eight weeks. Applications to the extension scheme remained open to 1 September.

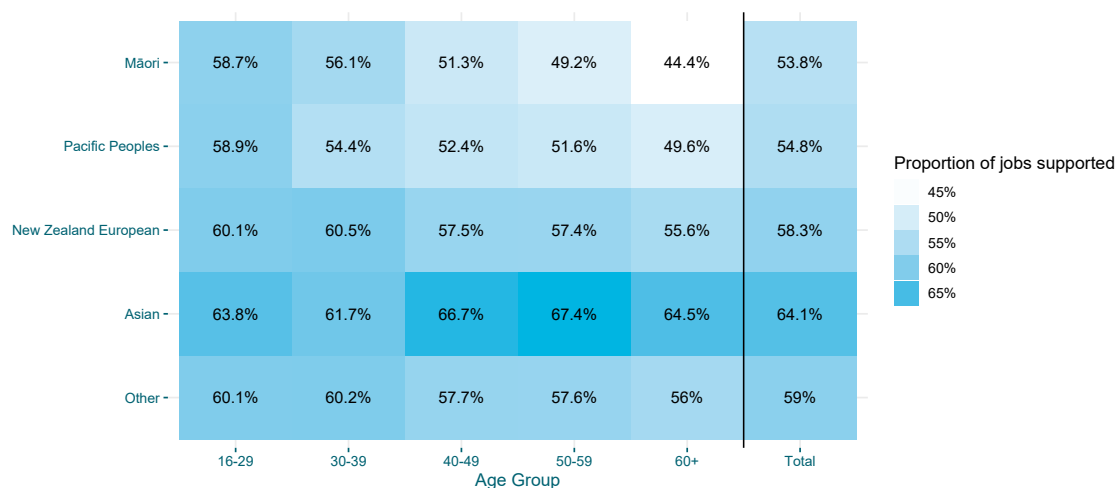
⁴New Zealand Business Health Survey, Better for Business

Seventy-five per cent of businesses had successfully applied for the wage subsidy at the beginning of May. A higher proportion of employers (79 per cent) received the wage subsidy than self-employed (61 per cent).

As at 24 July 2020, 1.65 million jobs had been covered by the original wage subsidy scheme, and 450 thousand by the extension scheme. Some jobs will have been covered by both schemes. The total number of jobs covered by both schemes combined is 1.73 million (1.49 million employees and 239,000 self-employed). Recent MSD analysis has shown that just under 60 per cent of all jobs in New Zealand (excluding the self-employed) were covered by the original scheme.⁵ If a business claimed the subsidy for an employee, they were required to protect that job whilst the subsidy was in effect.

The construction industry had the highest proportion of supported jobs from the Wage Subsidy, with virtually every construction firm receiving a payment. The Arts & recreation services industry had the highest proportion of supported jobs from the Wage Subsidy Extension (48 per cent). Younger workers were more likely to be working jobs that were supported by the wage subsidy.

Figure 9: Jobs supported by the original Wage Subsidy by ethnicity



New Zealanders worked fewer hours over the quarter

In the June 2020 quarter, New Zealanders worked 81.4 million hours, down 10.3 per cent from last quarter. By comparison, average weekly paid hours only fell 3.1 per cent from last quarter. Over the quarter, weekly paid hours didn't fall too drastically because of support from the wage subsidy scheme, despite a stronger reduction in the actual hours worked.

⁵<https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/covid-19/who-received-the-wage-subsidy-and-wage-subsidy-extension.html>

Weekly hours worked varied quite strongly by industry. This was driven by operational restrictions due to the COVID-19 lockdown. However, because HLFS data was collected throughout the quarter, this picture is complicated due to businesses reopening as the Alert Level reduced. Because HLFS asks about a reference week, the time of the quarter a particular household was surveyed could have made a big difference to the answers they gave.

Figure 10: Weekly hours worked by industry

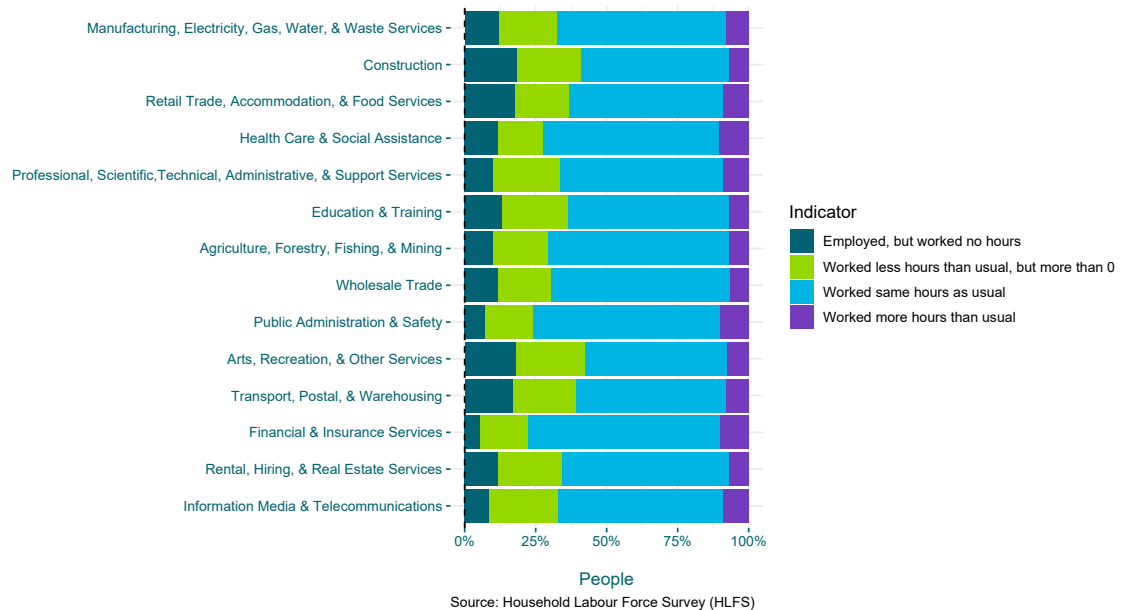
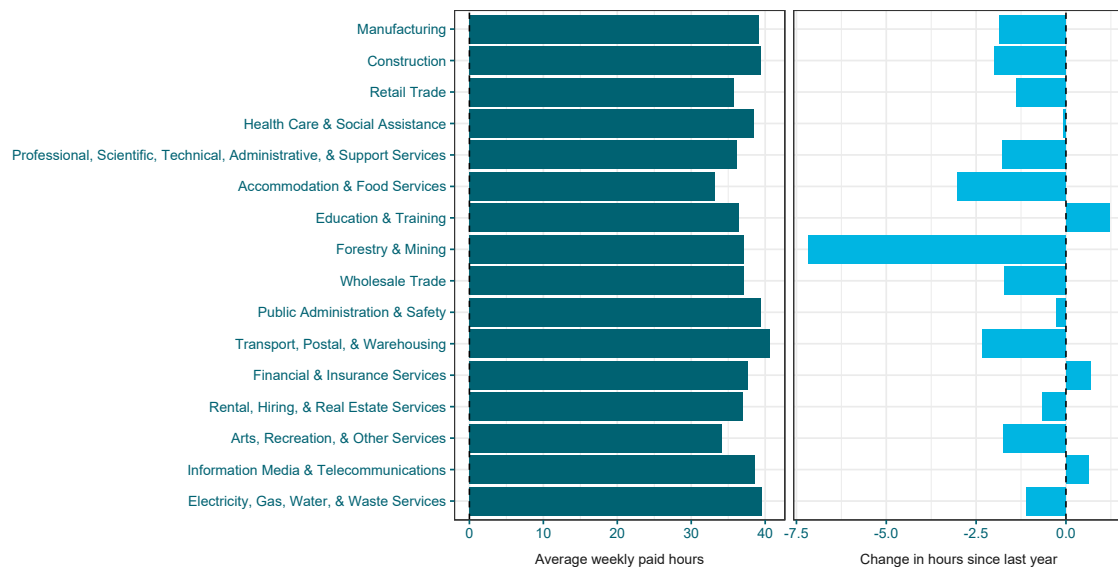


Figure 11: Average weekly paid hours by industry



Source: Quarterly Employment Survey (QES)

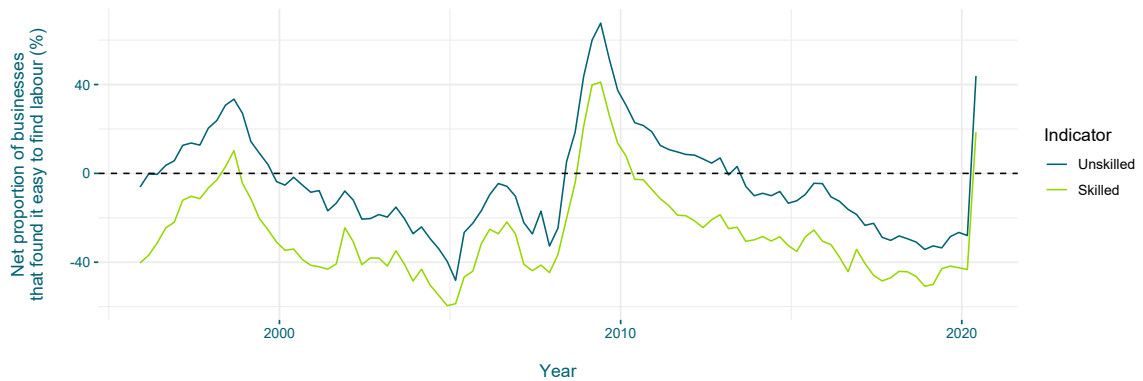
Businesses reported low confidence and likely cutbacks in coming months

In the June 2020 quarter, a net 37 per cent of businesses reported a decline in trading activity.⁶ Despite this, there was actually a slight improvement in business confidence from the previous quarter, with a net 59 per cent of firms expecting business conditions to deteriorate in the coming months (with confidence up from a net 68 per cent expecting conditions to deteriorate last quarter).

A net 19 per cent of businesses cut staff in the June quarter, and a net 28 per cent intend to reduce headcount next quarter. Online job advertising also fell by 31.9 per cent in the June quarter, with the fall being steepest in April, and beginning to flatten through May and June. This is also reflected in both skilled and unskilled labour being the easiest to find since 2009 (a spike caused by the Global Financial Crisis).

⁶NZIER, Quarterly Survey of Business Opinion, June 2020

Figure 12: Ease of finding labour



At the beginning of May, over three-quarters (78 per cent) of businesses operating or planning to operate were 'reasonably' or 'extremely' confident they would be in business in six months' time. Self-employed respondents were more likely to be extremely confident (42 per cent) than employers (31 per cent). Business confidence metrics conflict with wellbeing metrics, however, which reflect a more pessimistic outlook. A large proportion (42 per cent) of businesses are 'frustrated and worried' and have no or a low sense of 'optimism or hope'.⁷

⁷New Zealand Business Health Survey, Better for Business

4. Conclusions

The labour market showed strain in the June 2020 quarter, with a fall in participation and a strong rise in underutilisation due to the COVID-19 lockdown. Because of the lockdown, many people were either forced to work from home, or were unable to work, leaving many workers concerned about losing their jobs.

To alleviate this, the COVID-19 Wage Subsidy and Leave Payment Scheme and extension were introduced to assist businesses in paying their staff. Both schemes combined have so far covered 1.73 million jobs. Employment only fell by 11,000 to 2,665,000 (down 0.4 per cent) over the quarter, but total hours worked fell much more steeply, down 10.3 per cent over the quarter.

Industries such as Construction and Accommodation & food services were affected much more than others during the different Alert Levels due to the changing rules and restrictions.

The labour market results for the September 2020 quarter are expected to show more of the impact of COVID-19. With the borders remaining closed for tourism, and as the wage subsidy extension expires, more businesses are likely to be forced to close or to reduce headcount in the coming months.

Links

If you have any feedback, suggestions for future topics or questions, please contact us at:
LabourMarketInsights@mbie.govt.nz

MBIE's COVID-19 data resources can be found here:

<https://www.mbie.govt.nz/business-and-employment/economic-development/sector-reports-series/>

Other products that we produce are:

Monthly Labour Market Fact Sheet:

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

Labour Market Statistics Snapshot:

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

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/>

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:

<https://occupationoutlook.mbie.govt.nz/>

Other MBIE analysis is available at:

<https://www.mbie.govt.nz/data-and-analysis/>

