



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

Quarterly Canterbury Job-matching Report

March 2016





**MINISTRY OF BUSINESS,
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Ministry of Business, Innovation and Employment (MBIE)

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Executive Summary

This report provides an outline of the latest employment demand and supply information available on the Canterbury rebuild and wider recovery.

The earthquake rebuild activity plateaued in late-2014 and is expected to continue at or near current levels until mid-2017. Expenditure on the rebuild has translated into strong retail activity numbers. Between 2011 and 2014 demand from temporary workers and displaced residents drove up house prices and rentals but these have subsequently stabilised.

Indicators of tourism activity showed large increases over the year. Guest nights in the Canterbury region for the month of March 2016 rose by 44,000 (8.7 per cent) compared to March 2015. This compares with 12.3 per cent annual growth for New Zealand.

In the year to the March 2016 quarter, Canterbury employment and the number of people in the labour force have both increased while unemployment has decreased. Participation and employment rates have both dropped slightly. The unemployment rate has decreased to 3.0 per cent and is almost back to the low of 2.9 per cent in the June 2014 quarter.

Job vacancies in the construction industry in Canterbury are falling, which is consistent with the rebuild having reached a plateau. The difficulty faced by businesses in sourcing both skilled and unskilled workers is easing. Despite the recent easing, local labour supply remains tight and this is expected to continue for the next three years as work continues on the rebuild.

Migrants are a major source of increased labour supply, with beneficiaries moving off benefits also contributing. The March 2016 quarter saw a continuation of the slow decline with 304 rebuild-related work visa arrivals after a record 706 in the September 2015 quarter.

Annual wage growth to March 2016 in Canterbury construction continued at a steady rate. At 1.3 per cent, it was less than the 2.5 per cent growth for the rest of New Zealand.

In the March 2016 quarter, approximately \$1.2 billion of construction work was estimated to have been completed, with just under half being residential construction. Residential work in Canterbury is falling as most of the EQC-related repair work is complete. At the same time, more complex residential repair and rebuild work is projected to contribute to a residential spend of up to \$500 million per quarter for the next three years.

Estimates of rebuild progress suggest that 55 per cent of the total rebuild has been completed. Looking at it by work stream, residential rebuild progress is 69 per cent complete, the commercial rebuild is 39 per cent complete and the infrastructure rebuild is 59 per cent complete.

An estimated 30,000 construction workers were employed in Greater Christchurch as of March 2016, up from the 15,000 estimated pre-quake. This workforce is projected to continue at or near current levels until mid-2017.

In March 2016 there was a shortage of approximately 4,000 households in the region based on the ratio of residents to households before the quakes. This compares with 5,000 for the December 2015 quarter. The reduction is driven by a large number of houses completing repair and rebuild this quarter, which also reduced demand for alternative accommodation.

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1. Canterbury Economy Outlook

Canterbury's economic growth is expected to slow, as the rebuild activity levels out and dairy prices remain low. Strong growth in retail activity numbers has slowed, and house and rental prices have stabilised over recent months.

In the year to March 2015, Canterbury contributed 13.6 per cent of New Zealand's GDP, and the Canterbury economy grew by 7.4 per cent in nominal terms.

From 2010 to 2015, Canterbury's economy expanded 37.2 per cent in nominal terms, the highest of all regions and above the national average of 24.2 per cent. According to Statistics New Zealand, growth in the construction and agriculture industries underpinned this expansion.

Current economic growth is expected to have slowed as rebuild activity has reached a plateau and dairy prices remain low.

Figure 1: Canterbury GDP (nominal), annual percentage growth

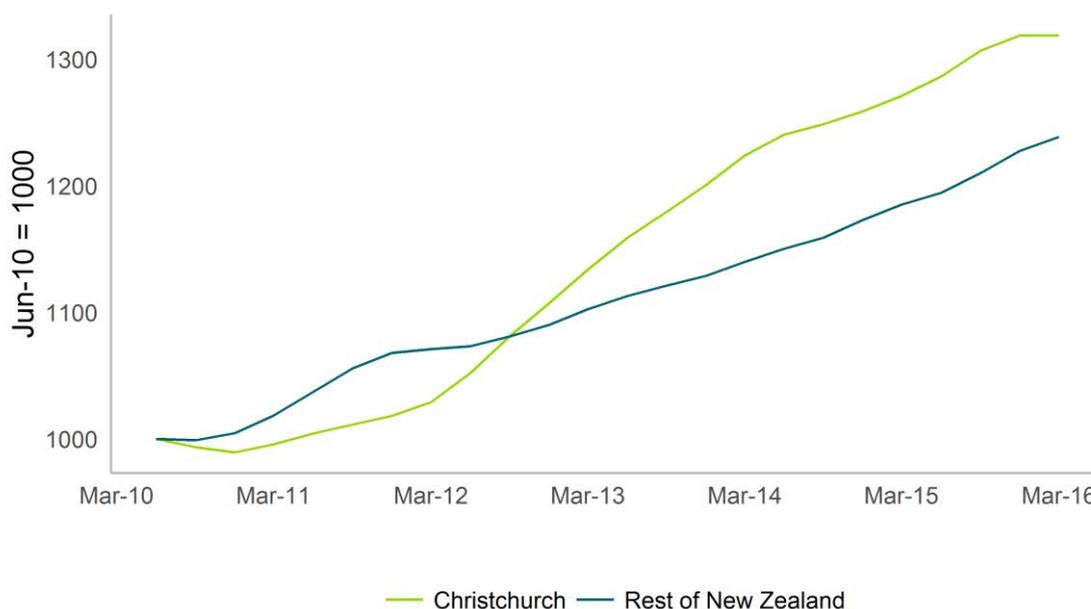


Source: Statistics New Zealand, regional GDP

Retail activity in the March 2016 quarter has flattened out after four years of strong growth as shown by the retail and hospitality sales index.

Combined retail and hospitality sales for Christchurch City has remained steady over the March 2016 quarter compared with a 0.9 per cent rise for the rest of New Zealand. Retail and hospitality sales in Christchurch have risen 31.9 per cent since the June 2010 quarter (before the earthquakes). This compares with a 23.9 per cent rise for the rest of New Zealand over the same period.

Figure 2: Retail and hospitality sales index



Source: Statistics New Zealand, Christchurch Retail Trade Indicator

Indicators of tourism activity showed a large increase over the year. Guest nights in the Canterbury region for the year to March 2016 increased by 44,000 (8.7 per cent) compared with the year to March 2015. This compares with 12.3 per cent annual growth for New Zealand.

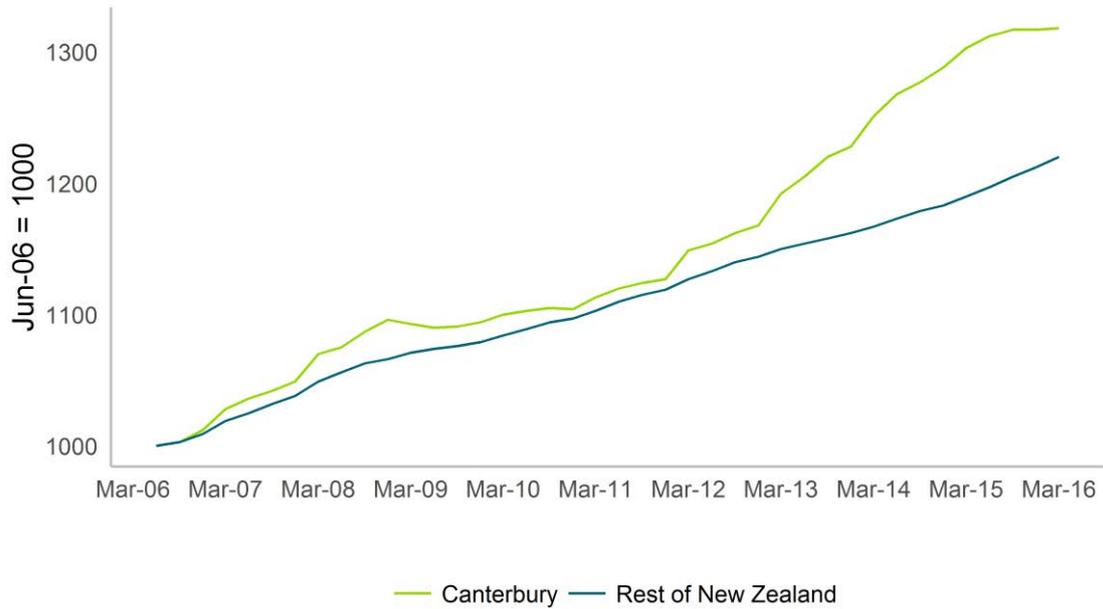
Housing costs in Canterbury, both purchase prices and rentals, have been flattening since late 2014. Factors contributing to this include:

- Fewer home-owners seeking temporary accommodation while they carry out repairs to their earthquake damaged homes.
- More houses coming online have loosened the housing market.
- The rebuild had a greater effect on rental prices than house prices due to people needing temporary accommodation (temporary construction workers and people waiting for repairs)

Results from MBIE modelling suggest that pressure is easing on the housing market and supply is expected to meet demand by June 2017. More information on this is available in section 6.

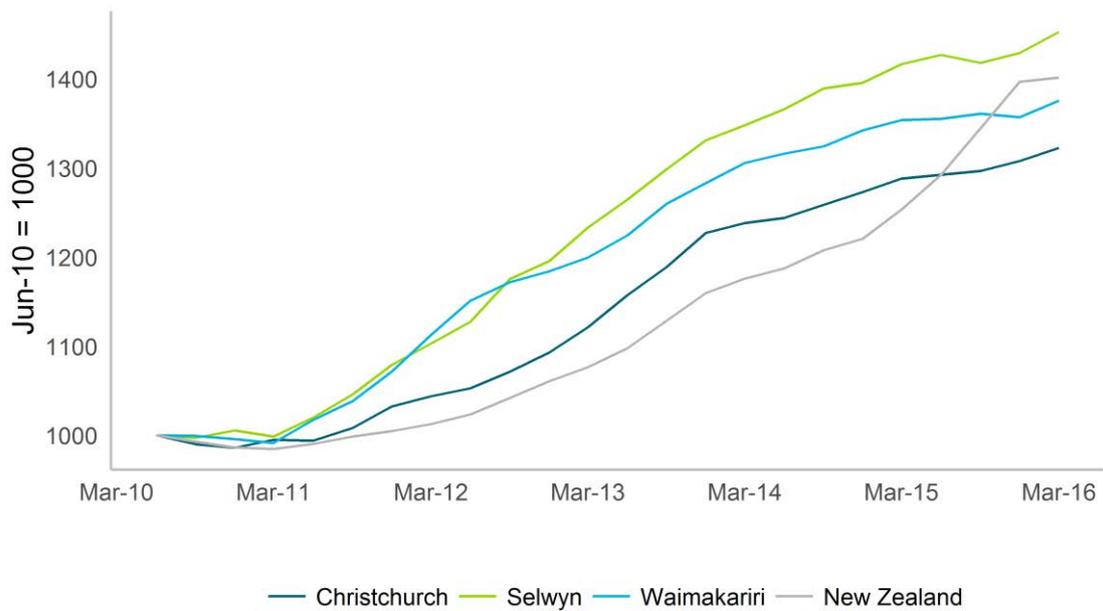
Rental prices for the Canterbury region increased by 1.2 per cent in the year to March 2016. This compares with 2.5 per cent for the rest of New Zealand. In the same period, average house prices for Christchurch, Selwyn and Waimakariri increased by 2.7, 2.5, and 1.6 per cent respectively. This compares with a national increase of 11.8 per cent, driven by an 18.1 per cent rise for Auckland. The Greater Christchurch rental stock, as measured by active bonds, grew by 1,398 in the year to March 2016, similar to the 1,500 average annual growth in rental stock recorded before the earthquakes.

Figure 3: Rental prices index



Source: Statistics New Zealand, consumers price index

Figure 4: Average house prices index



Source: Quotable Value New Zealand, MBIE, average house prices

The value of building activity in Canterbury fell a seasonally adjusted 1.1 per cent in the March 2016 quarter. This followed a 0.7 per cent fall in the December 2015 quarter.

In the March 2016 quarter, residential construction activity fell a seasonally adjusted 1.2 per cent, to \$621 million, while non-residential activity fell 0.9 per cent to \$478 million¹. This compared with 9.0 per cent and 8.1 per cent rises in residential and non-residential activity respectively for the rest of New Zealand.

Little change in residential work is consistent with MBIE projections that residential repair work has reached its peak activity due to the EQC-related repair work completing. Non-residential work will become a larger part of construction activity. At the same time, there is still a large amount of residential work to be done.

Figure 5: Value of building work put in place, Canterbury



Source: Statistics New Zealand, building activity survey

2. The Canterbury Labour Market

Rebuild construction activity underpins the high employment demand in Canterbury. This flows on to employment demand in industries supporting both construction and the consumption demand of its new workers. The labour force participation rate is near a historic high, and the unemployment rate remains near the recent low in the June 2014 quarter.

¹ The rate of growth in building activity in Canterbury over the six years to March 2016 quarter was 168 per cent, compared with 93 per cent in Auckland. Seasonally adjusted and trend series for building activity data are revised each quarter.

Table 1: Annual (quarter to quarter) changes in Canterbury labour market indicators

Indicator	Canterbury		Rest of NZ	
	Mar-16 result (000)	change from Mar-15 (000) (%)	Mar-16 result (000)	change from Mar-15 (%)
Employment	334.5	4.4 1.3	2,074.5	2.2
Unemployment	10.4	-0.2 -1.9	141.9	-0.2
Working age population	478.3	11.3 2.4	3,205.9	2.5
Labour force	344.9	4.2 1.2	2,216.4	2.0
	Mar-16 result (%)	change from Mar-15 (pp*)	Mar-16 result (%)	change from Mar-15 (pp*)
Labour force participation rate	72.1	-0.8	69.1	-0.3
Employment rate	69.9	-0.8	64.7	-0.2
Unemployment rate	3.0	-0.1	6.4	-0.1

*pp = percentage points

Source: Statistics New Zealand, labour market statistics

In the year to March 2016 construction industry employment rose by 600 people (1.3 per cent), compared with March 2015².

² Construction industry employment is not the same as the construction related occupation employment in the modelling presented in chapter 6. Construction industry employment includes employment in occupations not specifically related to construction, but that are within construction firms, such as receptionists and accountants. The modelling results reported in Chapter 6 measure the top 62 construction-related occupations in Canterbury. As such these numbers will not align.

Table 2: Annual (quarter to quarter) changes in Canterbury labour market indicators by gender

Indicator	Male		Female	
	Mar-16 result (%)	change from Mar-15 (pp*)	Mar-16 result (%)	change from Mar-15 (pp*)
Labour force participation rate	78.0	-0.7	66.3	-1.0
Employment rate	76.1	-0.6	63.8	-1.1
Unemployment rate	2.4	-0.2	3.7	0.0

*pp = percentage points

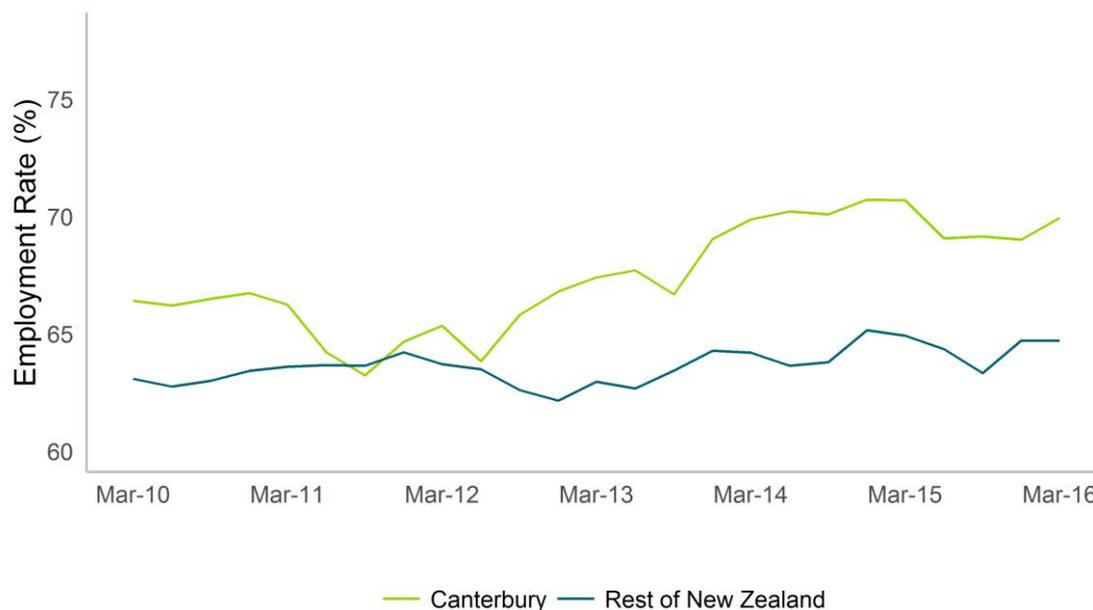
Source: Statistics New Zealand labour market statistics

Figure 6: Unemployment rate in Canterbury and New Zealand



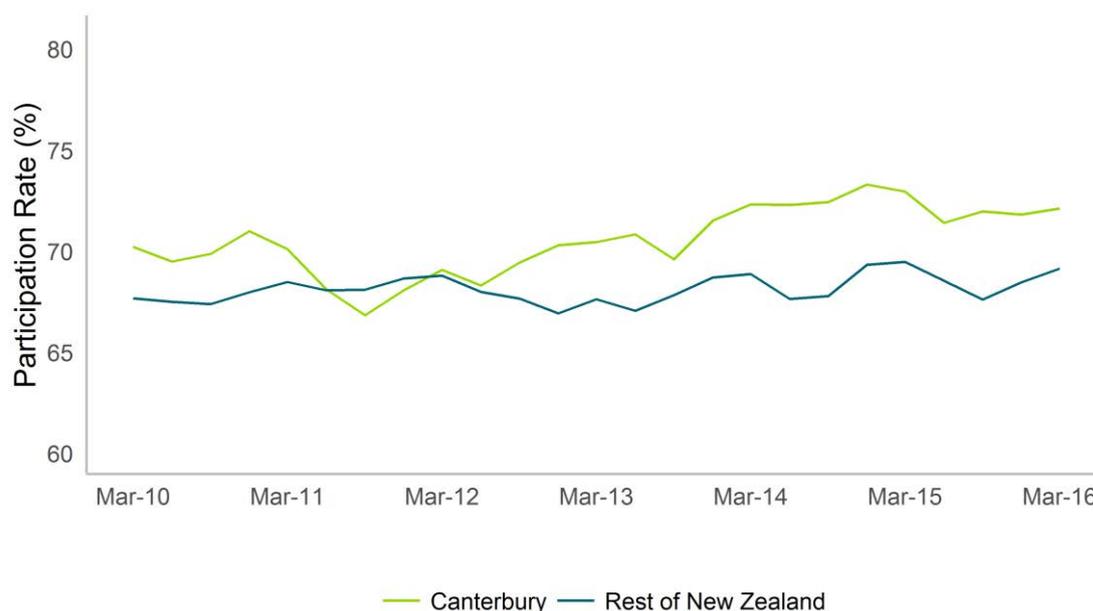
Source: Statistics New Zealand, labour market statistics

Figure 7: Employment rate in Canterbury and New Zealand



Source: Statistics New Zealand, labour market statistics

Figure 8: Labour force participation rate in Canterbury and New Zealand



Source: Statistics New Zealand, labour market statistics

The employment indices in Figure 9 show that there was a massive increase in construction jobs over four years from March 2011 to March 2015, followed by a slight decline in the year to March 2016. From March 2011 to March 2015, jobs in the construction sector grew by 89.9 per cent, which has been followed by a 5.3 per cent drop in the last year. This compares to an almost stagnant 8.6 per cent growth in jobs for non-construction industries over the same period.

Figure 9: Canterbury Construction Employment Index



Source: Statistics New Zealand, Linked Employer-Employee Dataset

3. Demand for Labour

Construction-related vacancies are declining from recent highs. Beneficiaries placed into work have remained level in the March 2016 quarter. The difficulty faced by businesses in Canterbury in sourcing both unskilled and skilled workers has eased over the past year, and is now no harder than finding workers in the rest of New Zealand.

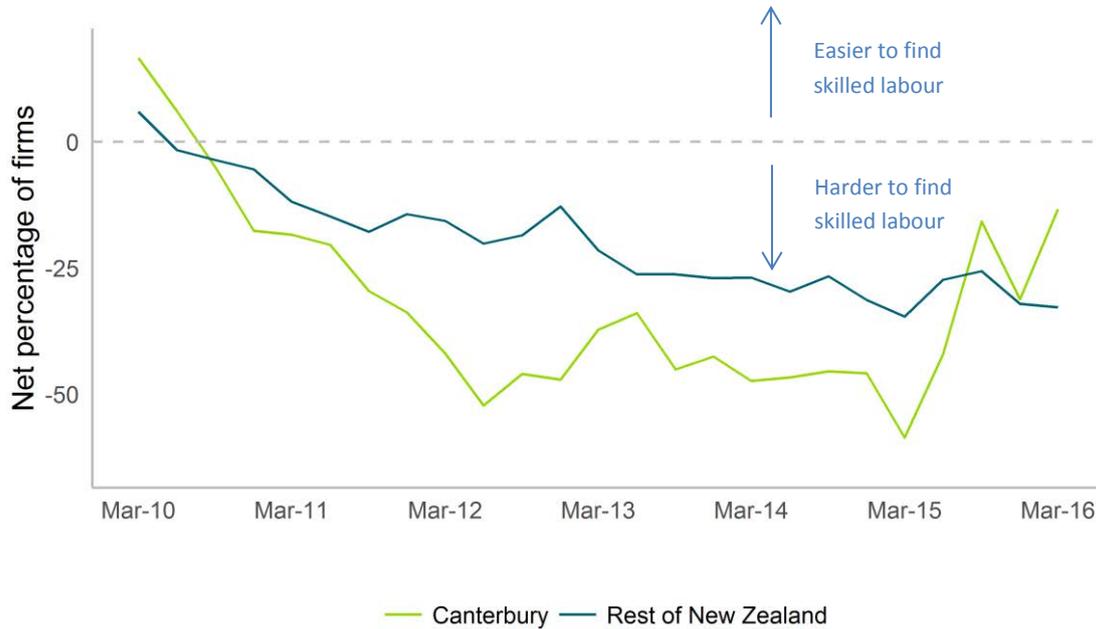
Ease of Finding Skilled Labour

The Quarterly Survey of Business Opinion produced by NZIER surveys businesses in Canterbury about how easy it is to find skilled and unskilled labour in Canterbury. Over the past year it has become easier to find both skilled and unskilled workers in Canterbury.

For the March 2016 quarter, a net 13 per cent of businesses surveyed in Canterbury found it more difficult to find skilled labour than three months ago, compared with a net 33 per cent of businesses finding it more difficult to find skilled labour in the rest of the country.

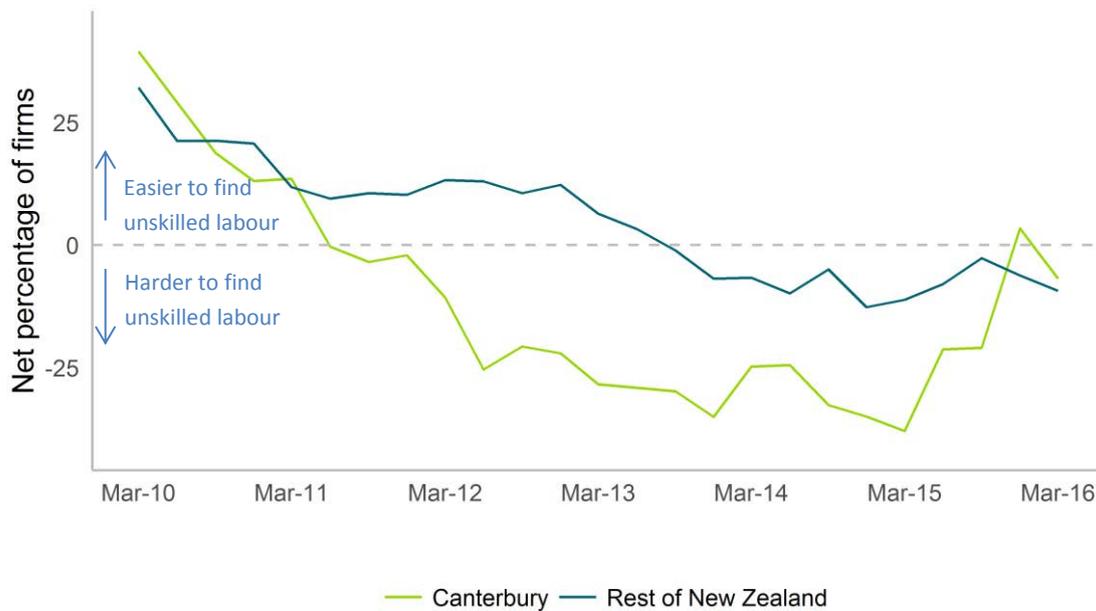
For the March 2016 quarter, a net 7 per cent of surveyed Canterbury businesses found it more difficult to find unskilled labour than three months ago. This is similar to the rest of the country.

Figure 10: Quarterly Survey of Business Opinion, ease of finding skilled labour, net percentage of businesses (seasonally adjusted)



Source: NZIER

Figure 11: Quarterly Survey of Business Opinion, ease of finding unskilled labour, net percentage of businesses (seasonally adjusted)



Source: NZIER

Jobs Online

Jobs Online is a monthly report produced by MBIE that measures changes in the number of jobs advertised by industry and occupation on the three internet job boards – Seek, TradeMe Jobs and the Education Gazette.

In March 2016, the *Jobs Online* Canterbury trend index for all jobs decreased by about 5.2 per cent from December 2015, compared with the rise for the rest of New Zealand of 0.1 per cent. In the year to March 2016 Canterbury vacancies decreased by 8.8 per cent compared with a rise of 6.9 per cent for the rest of New Zealand. The Canterbury index has been falling for much of the past 18 months, reflecting the fact that rebuild activity reached a plateau in late 2014, but remains well above the index for the rest of New Zealand.

Figure 12: Jobs Online Canterbury vacancies trend index



Source: MBIE, Jobs Online

Vacancies³ for jobs declined in the March 2016 quarter in the construction industry (4.1%), and rose in the hospitality (5.4%) and education (4.5%) industries. Vacancies for all other industries have remained relatively steady with quarterly changes less than 2 per cent.

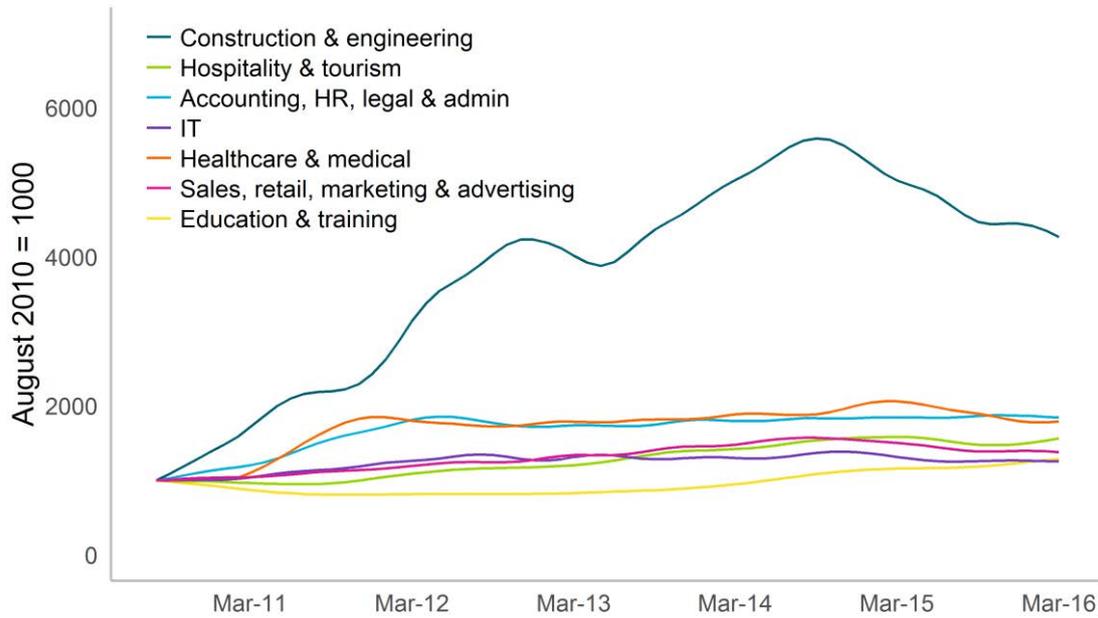
There have been annual declines for March 2016 in vacancies for construction and engineering (15.2%), healthcare (13.2%) and sales (8.2%) jobs, and an annual rise in vacancies for education (11.4%) jobs. Vacancies for all other industries have remained relatively steady with annual changes less than 5 per cent.

Vacancies declined in the March 2016 quarter for the following occupations: machinery drivers and operators (8.7%), labourers (6.9%), professionals (3.5%) and clerical and administration

³ Vacancies reported here are for “all vacancies” and are different from the group of “skilled vacancies” previously reported.

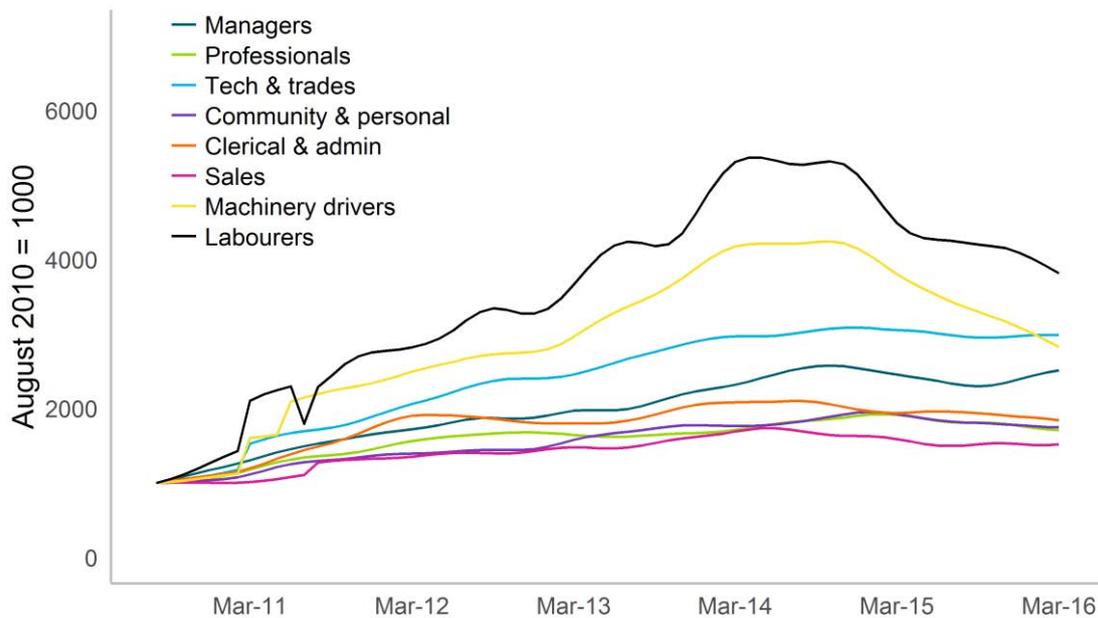
workers (2.7%), and rose for managers (5.0%). Vacancies for all other occupations have remained relatively steady with quarterly changes less than 2 per cent.

Figure 13: Jobs Online Canterbury vacancies trend index - Industries



Source: MBIE, Jobs Online

Figure 14: Jobs Online Canterbury vacancies trend index – Occupations



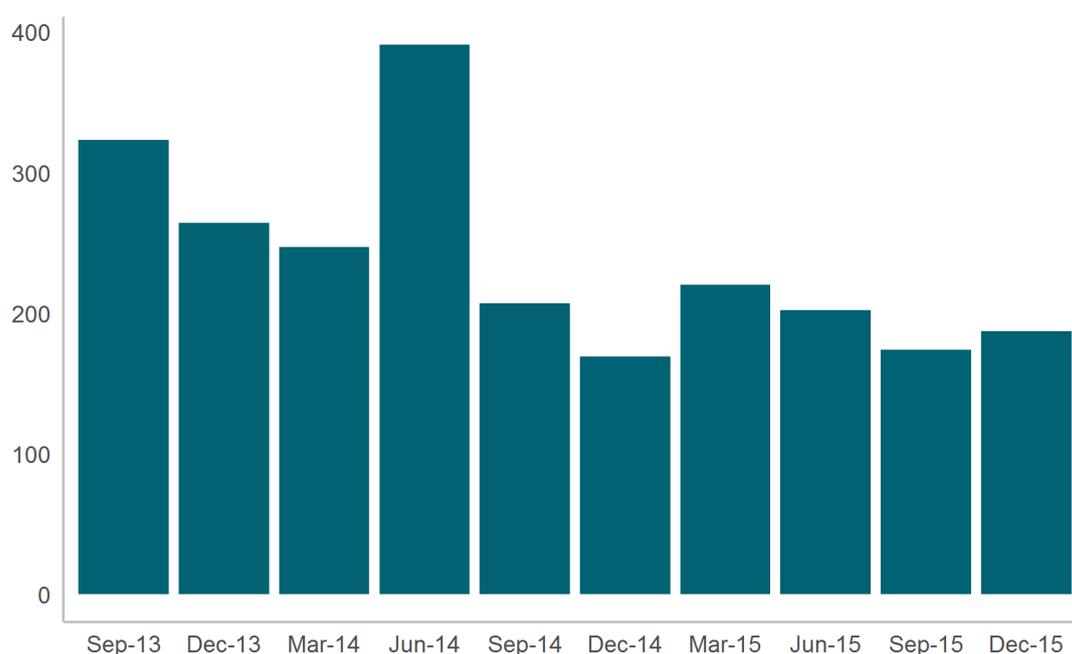
Source: MBIE, Jobs Online

Work and Income vacancies and job placements

Complete data for job placements in the March 2016 quarter is not yet available. In the December 2015 quarter, 415 vacancies offering 643 positions were listed by Work and Income in the Canterbury Region. This was up from 411 vacancies in the September 2015 quarter. The top industries were retail trade, manufacturing and accommodation.

Over the same period, Work and Income placed 187 beneficiaries into listed jobs. This was higher than for the September 2015 quarter (174) and higher than the December 2014 quarter (169).

Figure 15: Placements made by Work and Income in Canterbury



Source: Ministry of Social Development

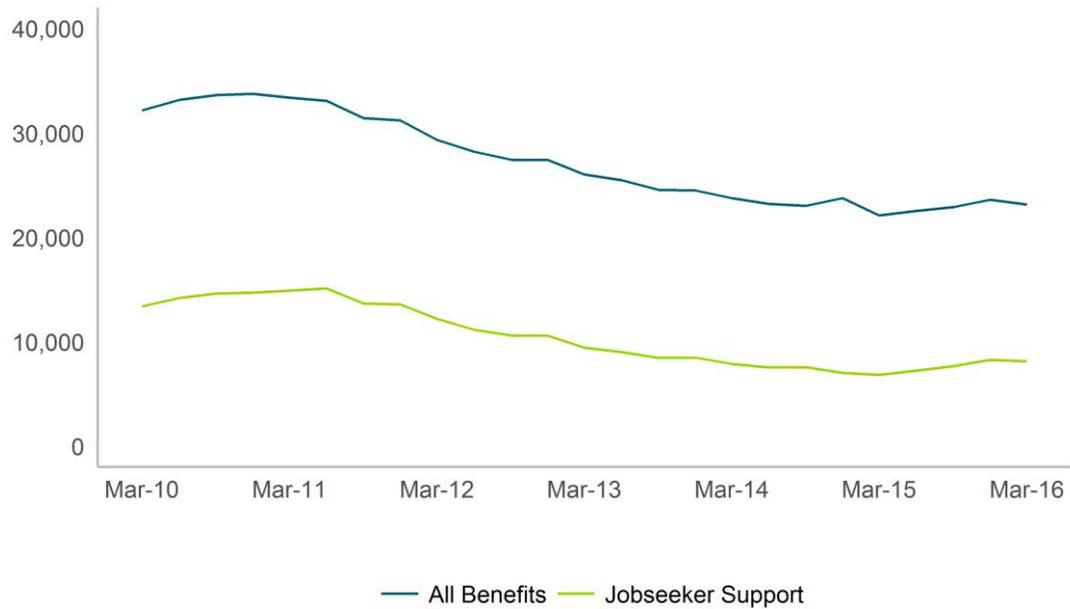
4. Supply of Labour

Migrants and beneficiaries moving off benefits provide increased labour supply. With historically low unemployment rates, local beneficiaries are a shrinking source of labour. Future skilled labour will also be sourced from an increasing number of students in industry training programmes. The supply of labour is expected to remain tight for the next three years as work continues on the rebuild.

Work and Income benefit exits and Skills for Industry programme

At the end of March 2016, 23,157 people were on benefits in Canterbury (down 1.9 per cent, from 23,595 in December 2015), with 8,130 on Jobseeker Support benefits (down 1.8 per cent, from 8,279 in December 2015).

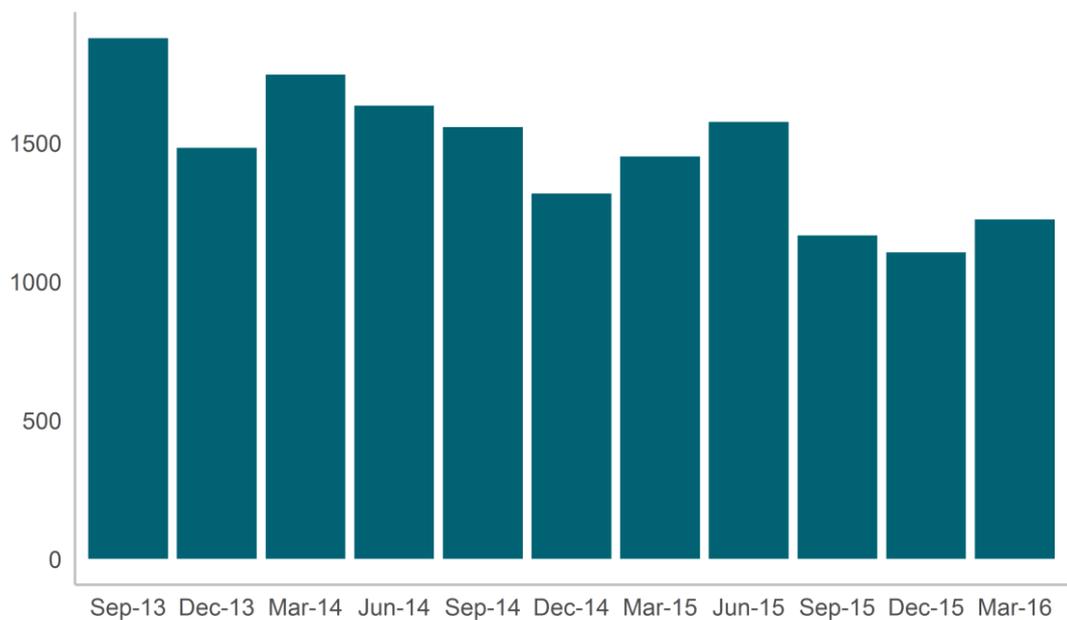
Figure 16: Number of Work and Income beneficiaries in Canterbury



Source: Ministry of Social Development

The decline in benefit numbers over the past four years is due largely to a decline in the number of people on jobseeker support. The number of beneficiaries in Canterbury exiting into work in the March 2016 quarter was 1,223 (up 10.8 per cent from 1,104 in December 2015, and down 15.7 per cent from 1,450 in March 2015).

Figure 17: Exits to Work by Work and Income beneficiaries in Canterbury



Source: Ministry of Social Development

Work and Income provides Skills for Industry training programmes. In the March 2016 quarter, 62 beneficiaries entered these programs.

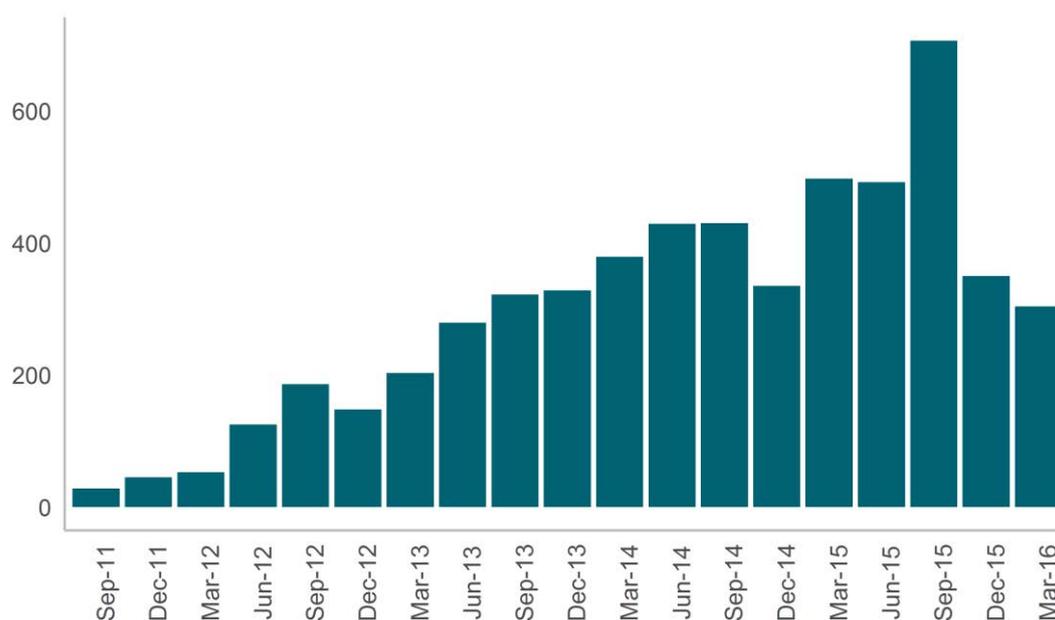
Immigration

The March 2016 quarter saw a continuation of the slow decline of rebuild-related work visa arrivals apart from the spike in September 2015. In March 2016 there were 304 rebuild-related visa arrivals in Canterbury, down from 350 in the December 2015 quarter, and also down from 497 in the March 2015 quarter.

The Philippines was the largest source of immigration for the rebuild (with 131 arrivals) in the March 2016 quarter, followed by Great Britain (38) and Ireland (29).

The main occupation seen in rebuild-related work visa arrivals in the March 2016 quarter was carpenters and joiners (58), followed by structural steel construction workers (25) and structural steel and welding trades workers (20).

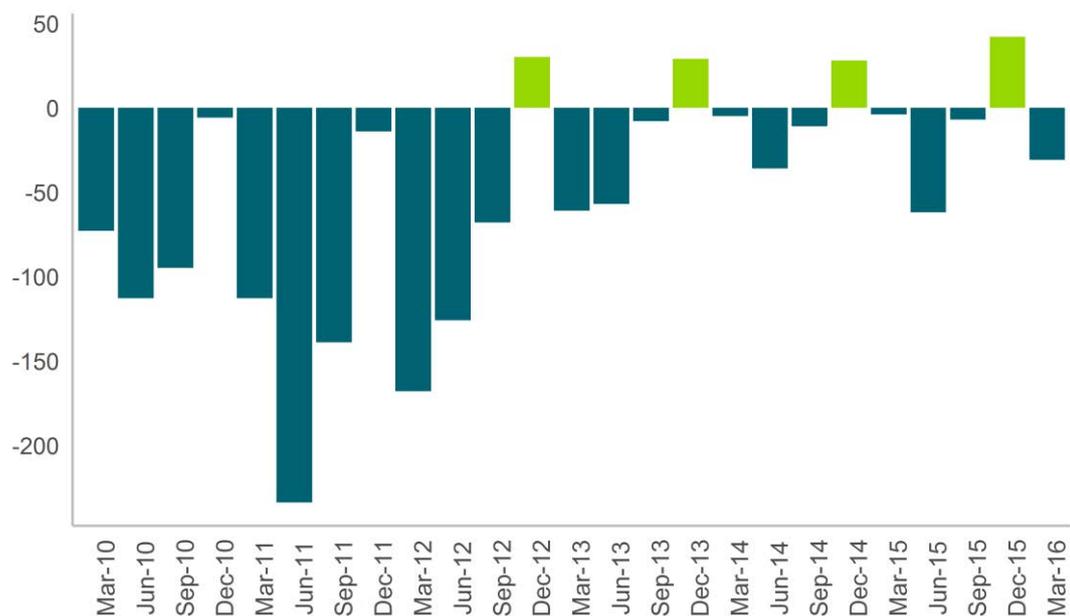
Figure 18: Rebuild-related work visa arrivals to Canterbury



Source: MBIE, Immigration New Zealand

Over 2011 and 2012, few New Zealand construction workers were returning from overseas to work on the rebuild. On average, a net 100 New Zealand construction workers were leaving the region each quarter. This has slowed since the rebuild gained momentum but still tends to be a small net outflow. In the March 2016 quarter there was a net positive outflow of 31 New Zealand construction workers.

Figure 19: Net quarterly migration of construction-related New Zealanders to Greater Christchurch



Source: Statistics New Zealand, permanent and long-term migration

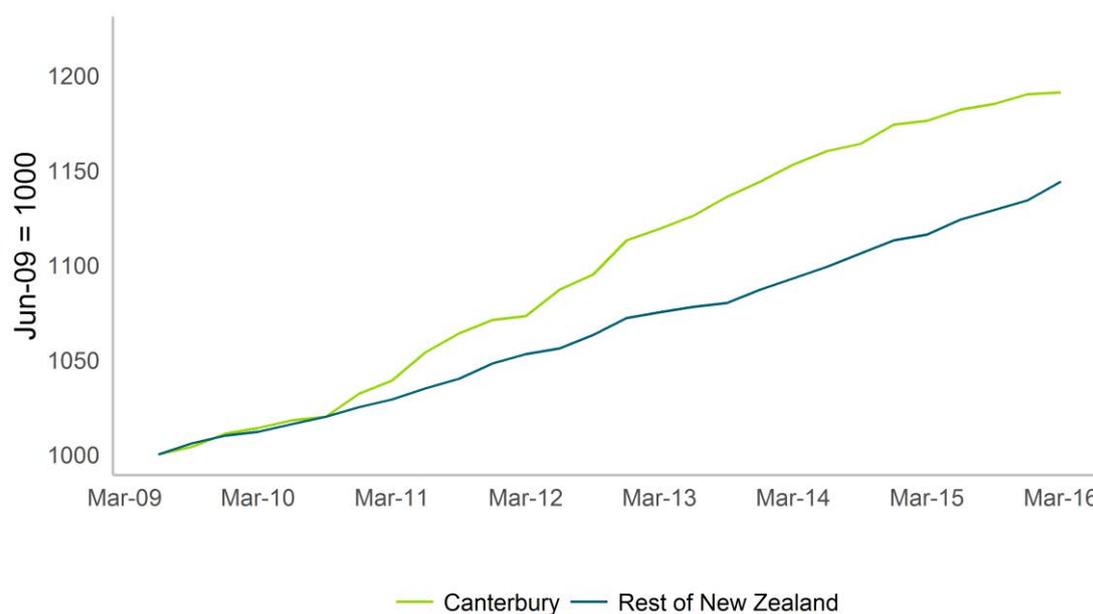
5. Labour Costs

Annual wage growth in Canterbury construction at 1.3 per cent is lower than the 2.5 per cent growth recorded in the rest of New Zealand.

The cost of labour in Canterbury construction continues to increase, according to the latest Labour Cost index (LCI). In the year to March 2016, salary and wage rate growth (including overtime) in the Canterbury construction industry was 1.3 per cent. For the rest of New Zealand, annual wages in the construction industry rose by 2.5 per cent.

The first earthquake in Canterbury occurred in September 2010. Since then, wage rate growth has increased 16.8 per cent in the Canterbury construction index, compared with an 12.2 per cent increase for the rest of New Zealand. Since the December 2013 quarter Canterbury wage rate growth has slowed relative to the Rest of New Zealand.

Figure 20: Labour cost index for the construction sector



Source: Statistics New Zealand, labour cost index

6. Greater Christchurch Value of Work, Employment and Accommodation Forecasts

Estimates of rebuild progress suggest that 55 per cent of the total rebuild has been completed. Latest modelling shows that the rebuild reached a ceiling of output at approximately \$1.2 billion per quarter in mid-2014, and is expected to continue at or near this level until mid-2017. An estimated 30,000 construction workers were employed in Greater Christchurch as of March 2016, up from the 15,000 estimated pre-quake.

The rebuild so far

MBIE produces quarterly Greater Christchurch value of work, employment and accommodation projections based on forecasts of work to be done in residential rebuild and repairs, infrastructure work, and commercial work (both public sector, such as for the Anchor projects, and private sector).

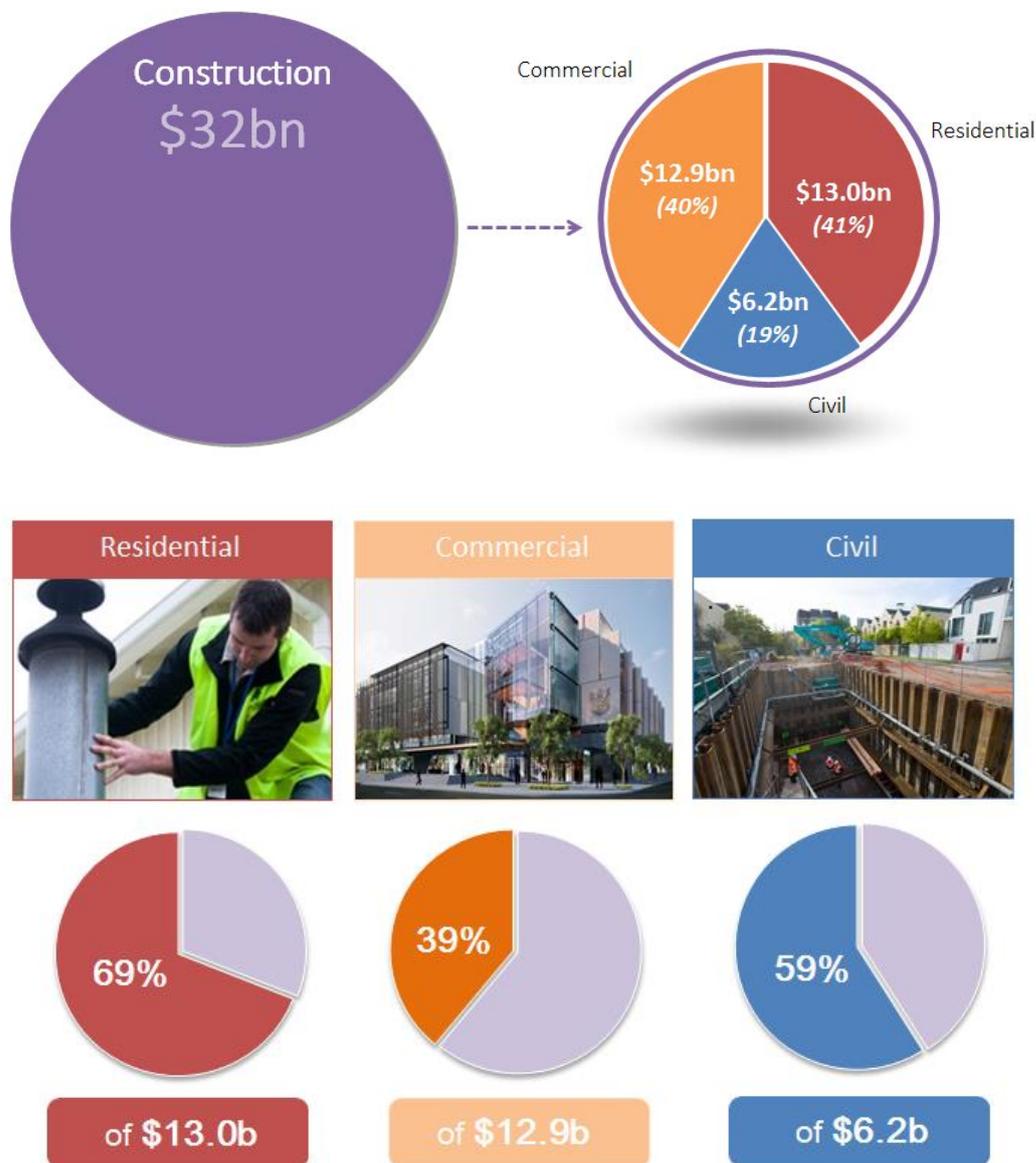
Where possible, forecasts use schedules of work by insurance companies, construction companies and government entities. The projections should be viewed as continually improving. As construction work schedules are firmed up and more data becomes available, the projections will be revised accordingly.

Historical value of work results will not match exactly with Statistics New Zealand's value of building work put in place (Figure 5) because it includes work without building consents and civil infrastructure work (which are excluded from the Business Activity Survey). Also value of work in this section is calculated in 2012 dollars.

As the rebuild has moved to a stage where there is a substantial amount of cash settlements entering the marketplace, it has become increasingly difficult to separate rebuild and non-rebuild work in the forecasts. Therefore, these projections look at the Canterbury construction sector as a whole, and do not differentiate by purpose of work.

Estimates of rebuild progress suggest that 55 per cent of the total rebuild has been completed. Looking at it by work stream, residential rebuild progress is 69 per cent complete, the commercial rebuild is 39 per cent complete and the infrastructure rebuild is 59 per cent complete. These estimates are based on total insurer liability, central and local government contributions and private investment in designated rebuild projects. It doesn't cover any additional investment that developers might make to add value to their properties.

Figure 21: Greater Christchurch progress of the rebuild



Source: MBIE

Forecasts

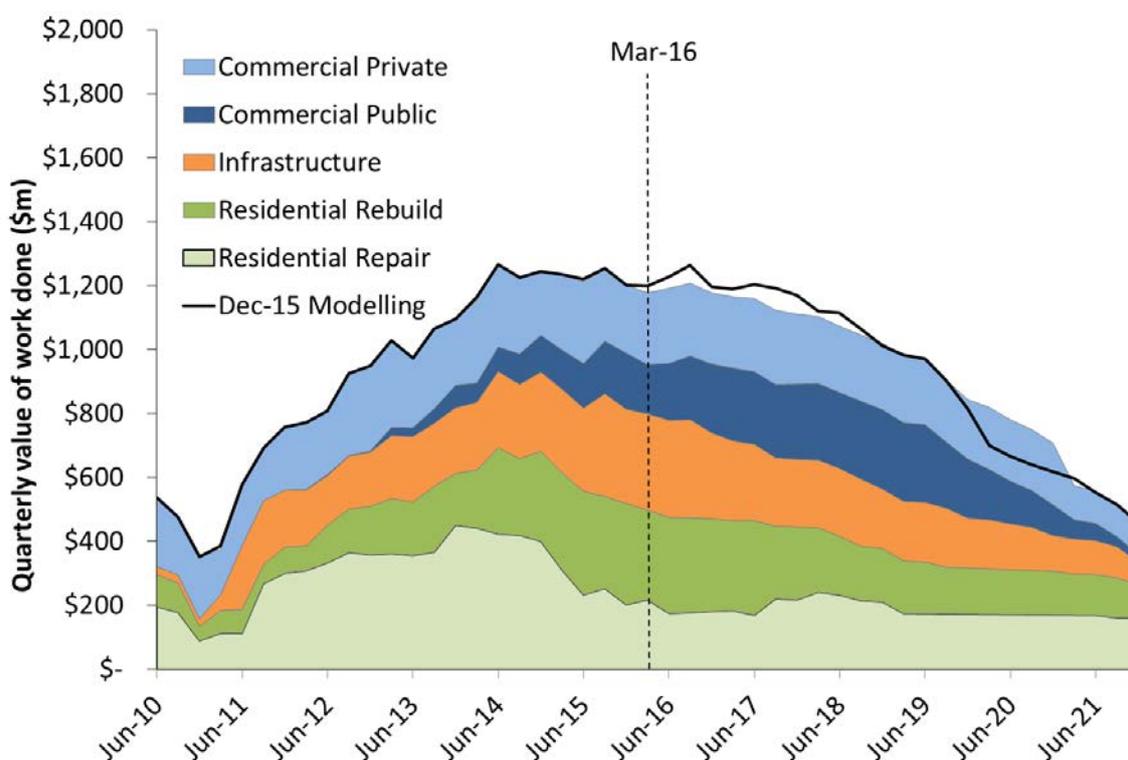
Latest modelling shows that the rebuild reached a ceiling of output at approximately \$1.2 billion per quarter in mid-2014, and is expected to continue at or near this level until mid-2017. Work will then begin to gradually tail off, and is expected to return to business-as-usual levels by 2021. Some volatility is expected over this period.

Residential work in Canterbury has receded as most of the EQC-related repair work is complete, and with construction companies expecting the bulk of scheduled work to be completed by the end of 2017. Following that, work will increasingly be initiated by people waiting to spend their cash settlements, leading to the completion of the bulk of the residential rebuild by 2020. Then “business as usual” repairs and upgrades, deferred due to the rebuild, will continue. Infrastructure work is also expected to slow over the next three years, with commercial work expected to grow slightly to take up some of the slack.

Figure 22 shows the value of completed and future work in the rebuild. In the March 2016 quarter, approximately \$1.2 billion of construction work was estimated to have been completed, with a breakdown of \$500 million residential spend, \$300 million infrastructure spend and \$400 million commercial spend.

The black line in the graph shows the previous quarter’s modelling projections. The main difference in this quarter’s results is a more gradual tailing off in work over the next five years. This is due to changes in the modelling assumptions to better estimate how the work will be managed down once the majority of the rebuild is completed, and slower than anticipated growth for commercial work.

Figure 22: Greater Christchurch⁴ quarterly value of work projections



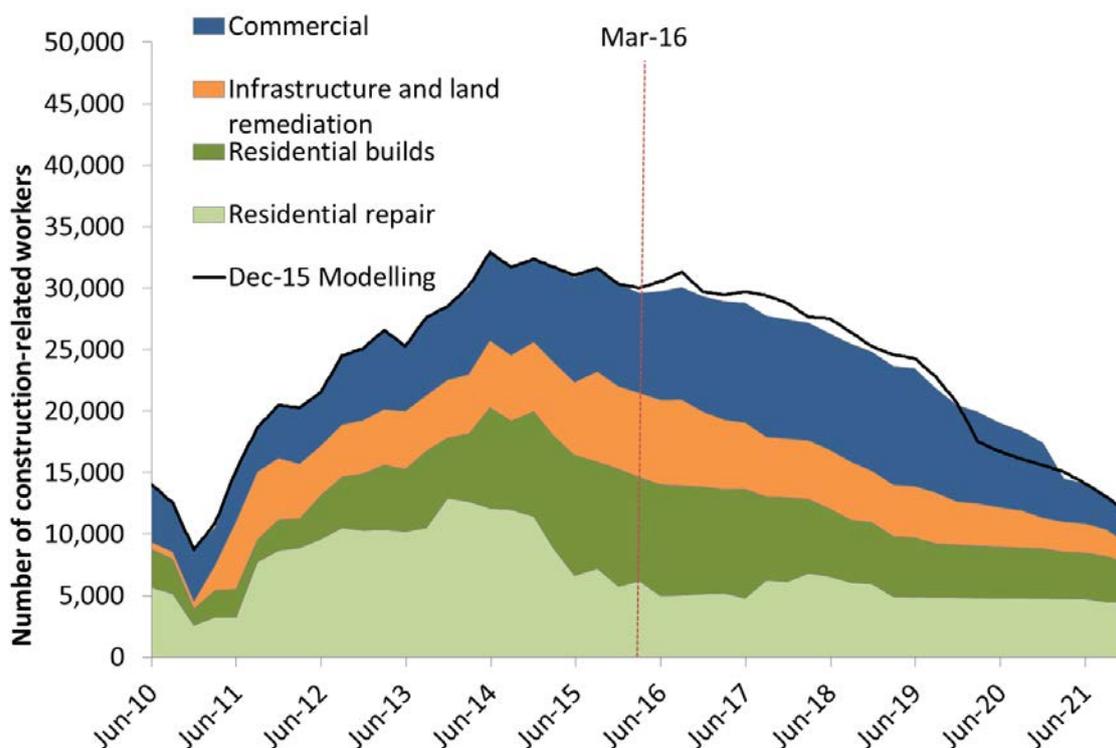
Source: MBIE

⁴ Christchurch City, Waimakariri District and Selwyn District

Employment

Figure 23 shows the number of construction-related⁵ workers required over the duration of the rebuild. An estimated 30,000 construction workers were employed in Greater Christchurch as of March 2016, up from the 15,000 estimated pre-quake. This workforce is projected to remain at or near current levels until mid-2017, then gradually decrease until late-2021 back to pre-earthquake levels. As the rebuild moves from residential to commercial, a different mix of workers will be required, which should lead to significant “churn” as specialised residential construction workers are replaced by specialised commercial workers.

Figure 23: Greater Christchurch construction-related employment projections



Source: MBIE

Accommodation

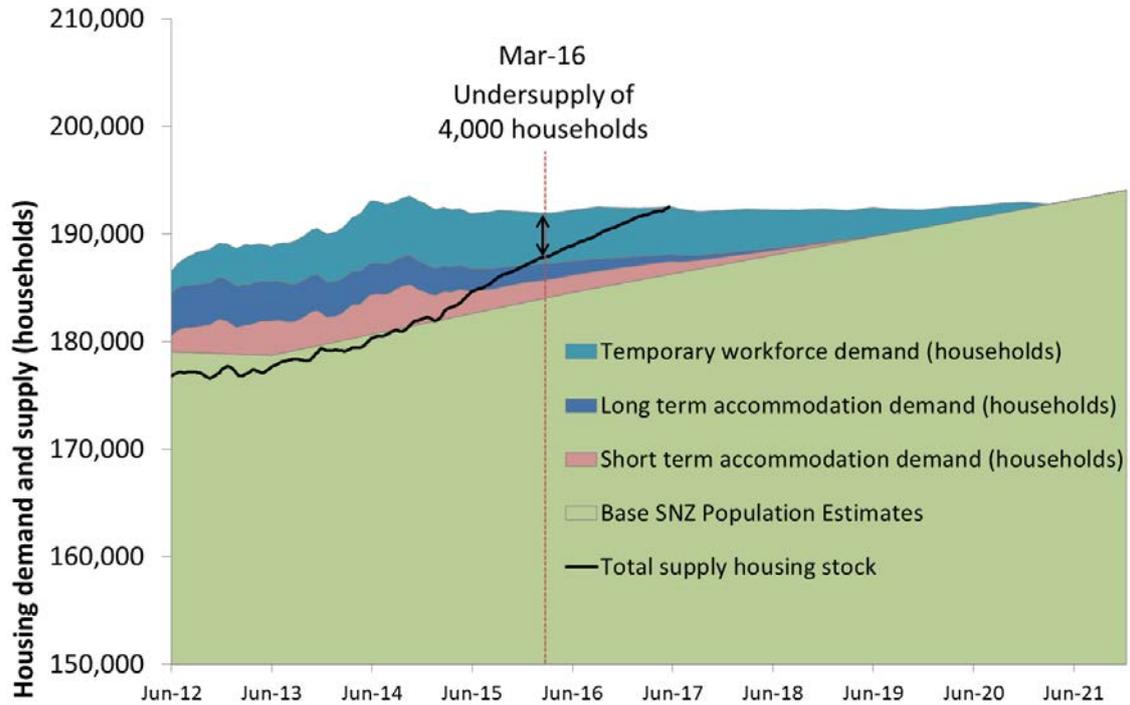
Figure 24 shows the projected supply and demand⁶ for accommodation in Greater Christchurch. In March 2016 there was a shortage of approximately 4,000 households in the region, compared with 5,000 households in the previous quarter. This reduction is driven by completion of repair and rebuild on a large number of houses this quarter, which increased supply, and also reduced demand for temporary accommodation.

⁵ The projections use the top 62 construction-specific trades occupations for the estimate of employment rather than the number of people employed by firms in the construction industry.

⁶ Demand for housing is made up of the general population (growing as per Statistics New Zealand’s subnational population estimates), those people who require additional short or long-term housing while their houses are unoccupiable or under repair or rebuild, and the temporary workforce moving to Christchurch to help with the rebuild. Likewise, supply of housing is made up of the undamaged housing stock, damaged houses that are occupiable, repaired and rebuilt houses, and new housing developments.

This shortfall is best viewed as an indicator on the tightness of the housing market. It does not represent 5,000 households worth of people without a home – these people have been absorbed into the existing housing stock by, for example, doubling up in accommodation, living in garages or tents or other forms of non-standard accommodation.

Figure 24: Greater Christchurch accommodation supply and demand projections



Source: MBIE

Housing supply passed the pre-earthquake level in November 2014. Based on the projected rate of repair, housing supply will match demand in June 2017. As the temporary workforce leaves the region once work is complete, the region may experience an oversupply of houses. It is difficult to accurately estimate the size and length of any housing oversupply. Consequently, the supply line in Figure 24 stops once supply reaches demand.

