

# Otago-Southland

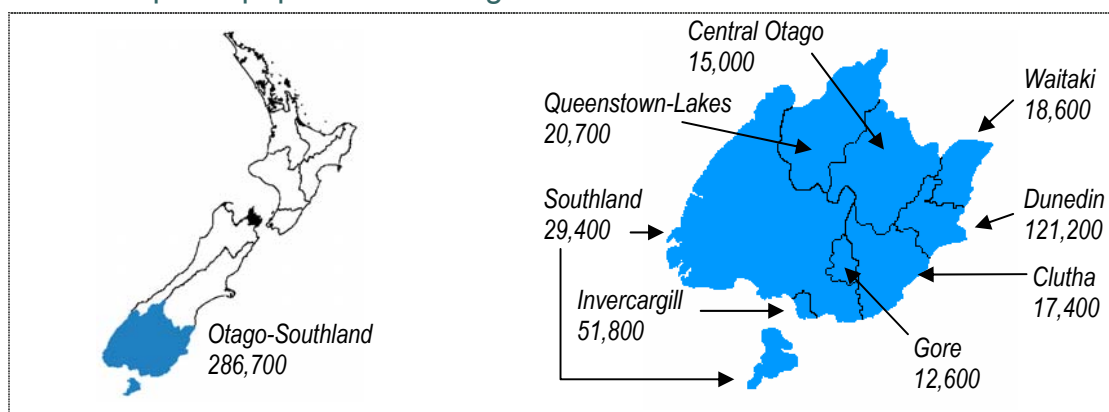
## Regional Labour Market Reports July 2004

[www.dol.govt.nz/labour-market-reports.asp](http://www.dol.govt.nz/labour-market-reports.asp)

### Background

- This report provides information on recent trends and the outlook for the labour market of the Otago-Southland region, prepared six-monthly by the Department of Labour. The data used are not seasonally adjusted, are usually averaged over a year to reduce sample errors and are from a wide range of sources: Department of Labour, Statistics New Zealand, Ministry of Social Development, National Bank and Westpac Bank. A glossary is appended to this report.

### Box 1: Map and population of Otago-Southland at June 2003



Note: Waitaki extends up into Canterbury. Source: Subnational Population Estimates, Statistics New Zealand

- The primary sector is important in Otago-Southland, employing around 14% of the workforce in industries such as agriculture, horticulture, forestry and fishing. Around 20% are in the goods producing sector: manufacturing (eg food, machinery & equipment, metal and wood) and construction. The remaining jobs are in services such as retail & hospitality (partly due to tourism), education, health and road transport.

### Box 2: Main industries in Otago-Southland at March 2003

Primary sector		Goods producing sector		Service sector	
Industry	Number of jobs	Industry	Number of jobs	Industry	Number of jobs
Agriculture*	12,900	Food manufacturing	10,300	Retail trade	14,200
Agriculture services	3,200	Construction	8,500	Education	9,200
Forestry & logging	900	Machinery & equipment	2,500	Hospitality	8,100
Commercial fishing	500	Metal products	2,300	Health	7,000
* estimate from 2001 Census		Wood manufacturing	1,800	Road transport	3,300

Source: Business Demographics, Statistics New Zealand

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## Recent trends

- The Otago-Southland labour market had a strong performance over the last year, as unemployment fell because a strong economy resulted in high job growth.

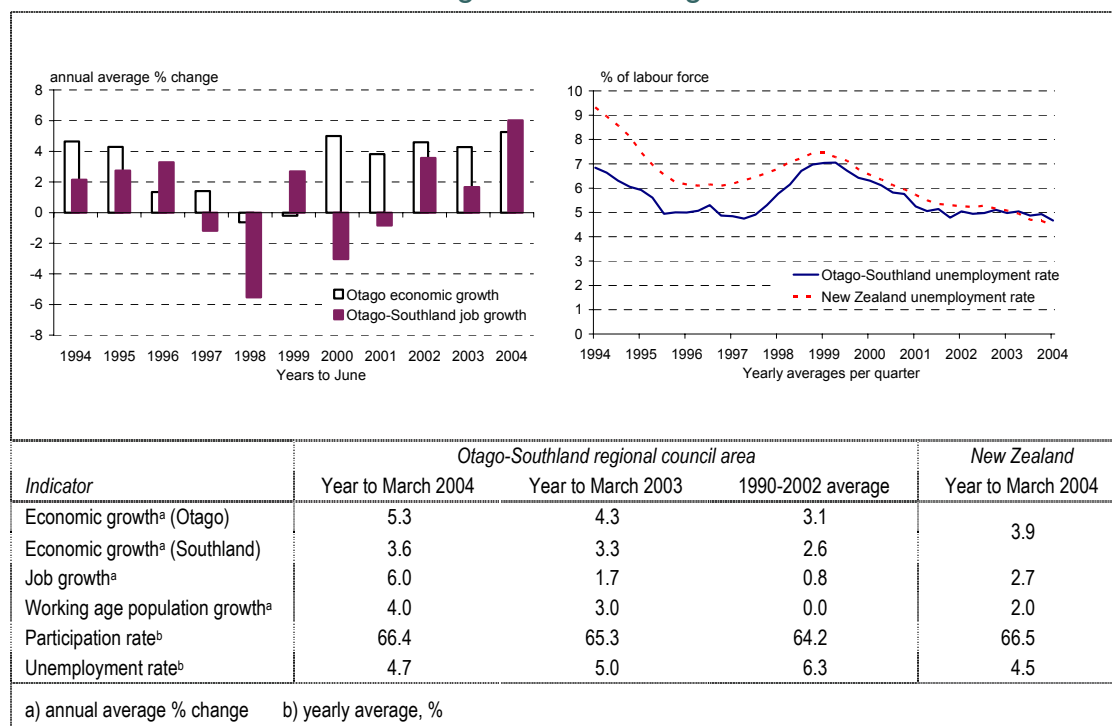
## Employment

- Job growth in Otago-Southland was high during the past year, as employment rose by 6.0% to 149,600 people in the year to March 2004.
  - This is well above national job growth of 2.7% in the past year.
  - This is up from moderate job growth in Otago-Southland during the year to March 2003 of 1.7%.
- Recent job growth has been high due to the strong Otago-Southland economy.
  - The strength of domestic demand (eg due to low interest rates, earlier high farm incomes and population growth) meant the drivers of job growth in the year to March 2004 were construction and services such as wholesale and retail trade, hospitality, transport & communications and health & community.
  - This strength was offset only slightly by weakness in the external sector, as a high Kiwi dollar and a weak global economy resulted in a fall in employment in Otago-Southland's primary and manufacturing sectors in the past year.

## Labour force

- The Otago-Southland labour force also grew strongly in the March 2004 year as:
  - working age population growth stayed high, due to a net gain of migrants from overseas, after a loss of people over much of the 1990s,
  - and the region experienced the largest rise in the labour force participation rate of any region to 66.4% in the March 2004 year, around the national average and the fifth highest rate of the ten main regions.

### Box 3: Recent trends in the Otago-Southland region



Source: Household Labour Force Survey, Statistics New Zealand; Regional Trends, National Bank

## Unemployment

- The unemployment rate in Otago-Southland fell to 4.7% of the labour force in the year to March 2004, down from 5.0% in the year before.
  - 4.7% is the lowest unemployment rate in Otago-Southland since the series began in 1986.
  - It is the fifth lowest unemployment rate in the country after Nelson-Marlborough-West Coast (3.3%), Auckland (3.9%), Waikato (4.1%) and Canterbury (4.2%).
  - Within the wider region, Southland has the lowest unemployment rate of 3.4% and Otago has the highest rate of 5.3% in the year to March 2004.
  - At a finer level, the Census tells us the unemployment rate at March 2001 was lowest in Queenstown-Lakes at 2.6% and Southland at 2.8%, and highest in the cities of Dunedin at 8.6% and Invercargill at 7.6%. Compared to the nationwide rate of 7.5%, other low rates were recorded in the region: Clutha and Gore at 3.3%, Central Otago at 3.5% and Waitaki at 4.7%.
- Otago-Southland had a very small fall of 100 (1%) in the number of unemployed people during the past year to 7,300.
  - The number of people on unemployment benefits has also declined – down 14% to 6,700 in the year to March 2004 – although by much more than official unemployment.

## Job Vacancy Monitor

- The Department of Labour's Job Vacancy Monitor shows the occupations in Otago-Southland that are most advertised in newspapers are services & sales, trades, and agriculture & fishery workers.
  - The occupational make-up of Otago-Southland's job vacancies in the past year is quite similar to New Zealand as a whole.
  - The only major difference is that Otago-Southland has proportionally more vacancies for agriculture & fishery workers, reflecting that the region is more rural than the nation as a whole.
- Growth in job vacancies can tell us which occupations are having an increase in demand, and perhaps which occupations are experiencing skill shortages.
  - For Otago-Southland, the semi-skilled/elementary occupations (eg service & sales) were the only group to have strong growth over the last year, while other occupations had low growth or a fall in job vacancies. Overall, there was no growth in job vacancies in Otago-Southland in the year to June 2004.

### Box 4: Otago-Southland job vacancies by occupation from newspapers

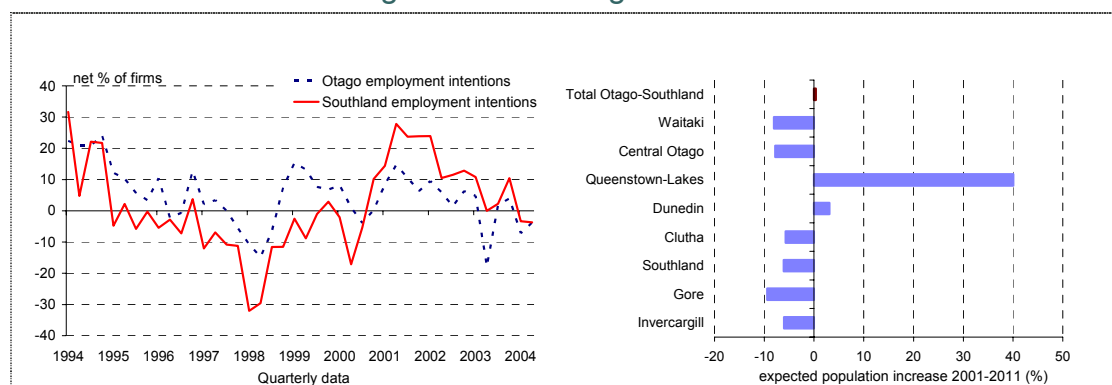
Year to June 2004	Composition of vacancies (% of total vacancies)		
	Otago-Southland	New Zealand	
Managers	6	6	<p>% change in vacancies: June 03 quarter to June 04 quarter</p>
Professionals	10	10	
Ass. professionals/technicians	10	12	
Clerks	11	12	
Service/sales	21	23	
Agriculture/fishery workers	12	6	
Trades	13	13	
Plant/machine operators	8	9	
Elementary workers	6	7	
Not classified	2	3	
Total	100	100	

Source: Job Vacancy Monitor, Department of Labour; figures may not sum to 100 due to rounding

## Outlook

- Economic growth will slow over the next year from the current high rate because of a softening in the domestic sector; eg construction due to higher interest rates and lower population growth. Exports will provide a slight buffer due to a global recovery and high commodity prices offsetting a still high Kiwi dollar.
- This modest economic outlook is supported by:
  - Otago firms are the least optimistic about the future of any region and Otago has the lowest consumer confidence in the country
  - the picture is rosier in Southland, where consumers are very optimistic, although business confidence is still below the national average.
- A fall in economic growth is expected to lead to a fall in job growth, supported by:
  - Employment intentions among Otago-Southland firms are now negative and have been low or negative for most of the past year.
  - Job vacancies in Otago-Southland were steady over the last year according to the Department of Labour's Job Vacancy Monitor.
- The Otago-Southland region has benefited considerably from a lift in population growth during the last two to three years, and a key challenge will be to avoid a return to the falling population of the mid-1990s. However, according to Statistics New Zealand central projections, only a small rise of 0.4% is expected in the Otago-Southland population between 2001 and 2011.
- Within the region, only Queenstown-Lakes is expected to have a strong increase, up 40% between 2001 and 2011, the highest growth of any district in New Zealand. Dunedin's population is set to rise modestly while other districts in the region are expected to experience a fall in their populations.

### Box 5: Outlook for the Otago-Southland region



Indicator		Otago and Southland regional council areas			New Zealand
		June 2004 quarter	June 2003 quarter	1993-2002 average	June 2004 quarter
Consumer confidence <sup>a</sup>	Otago	107.2	121.7	113.7	121.7
	Southland	125.2	106.0	115.0	121.7
Business confidence <sup>b</sup>	Otago	4.0	-1.3	34.2	23.0
	Southland	21.3	-6.3	22.2	23.0
Employment intentions <sup>b</sup>	Otago	-3.8	-17.8	7.0	9.3
	Southland	-3.7	0.0	3.3	9.3

a) index, 100=neutral    b) net % of firms

Source: Westpac Bank, National Bank, Statistics New Zealand

## Glossary

**Household Labour Force Survey (HLFS):** the official source of all regional labour market data, published by Statistics New Zealand ([www.stats.govt.nz](http://www.stats.govt.nz)). It provides labour market data for people of working age (15 years and over) in each region:

- **Employment:** the number of people in paid work for one hour or more per week. Annual growth in employment is termed job growth.
- **Unemployment:** the number of people not in employment, but actively seeking and available for work. This is the official definition of unemployment. The unemployment rate is the proportion of the labour force that is unemployed.
- **Labour force:** the number of people either employed or unemployed, ie those who want to work. The labour force participation rate is the proportion of the working age population that is in the labour force.

**Business Demography:** an annual count of businesses and the number of full-time equivalent jobs they have, published by Statistics New Zealand ([www.stats.govt.nz](http://www.stats.govt.nz)).

**Net overseas migration:** the difference between the number of permanent and long-term (PLT ie one year or more) arrivals and the number of PLT departures, to and from New Zealand, published by Statistics New Zealand ([www.stats.govt.nz](http://www.stats.govt.nz)).

**Job Vacancy Monitor:** an experimental series that provides a monthly count of job vacancies from selected editions of 14 major newspapers, published by Department of Labour ([www.dol.govt.nz/job-ad-monthly-report.asp](http://www.dol.govt.nz/job-ad-monthly-report.asp)). Vacancies are split into nine main occupations, with annual growth for three groupings: *highly skilled* (managers, professionals), *skilled* (associate professionals/technicians, trades), and *semi-skilled/elementary* (clerks, services/sales, plant/machinery, elementary).

**Unemployment Benefits:** the number of people receiving the unemployment benefit, published by Ministry of Social Development ([www.msd.govt.nz](http://www.msd.govt.nz)).

**Economic activity:** an index constructed from a wide range of economic indicators that provides a gauge of economic growth by region, published as Regional Trends by the National Bank ([www.nbnz.co.nz](http://www.nbnz.co.nz)).

**Business Outlook:** the main source of consistent regional information about how firms are feeling about the future, published by the National Bank ([www.nbnz.co.nz](http://www.nbnz.co.nz)):

- **Business confidence:** the number of firms expecting their own activity to improve over the next year minus the number expecting a worsening, expressed as a net percentage of respondents. Firms are more likely to increase investment and employment if they are confident about the year ahead.
- **Employment intentions:** the number of firms expecting to increase employment over the next year minus the number expecting a decrease, expressed as a net percentage of respondents. This is a good indicator of job growth, although firms are not asked about the number of people they expect to hire or layoff.

**Consumer confidence:** an index of consumer sentiment, where a value over 100 means that optimists outnumber pessimists, published by Westpac Bank ([www.westpac.co.nz](http://www.westpac.co.nz)) and McDermott Miller. High consumer confidence may lead to higher spending, residential investment or borrowing.

**Annual average percentage change:** the percentage change between the average for a whole year (eg March 2004 year) and the year previous (in this case, the March 2003 year). Unless stated, all growth rates are annual average percentage changes.