

LABOUR MARKET & EMPLOYMENT STRATEGY

BETTER WORK, WORKING BETTER



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FOREWORD

The labour market has a major impact on the lives of New Zealanders. Over two million of us are in paid work, and for most of us it's the largest source of income. It affects our ability to achieve the things we want; for ourselves, and for our families.

We have seen dramatic changes in the labour market over the last five years. In 2000, there were over 140,000 people on the unemployment benefit; the unemployment rate was 5.8%. In 2005 we have only 55,000 on the unemployment benefit, and the unemployment rate has dropped to 3.9%. This is one of the lowest rates in decades in New Zealand and the second lowest among developed countries.

This is a major success that has supported our economic growth. We now have new challenges to face and we need to review our labour market policies to meet them.

The Government has reviewed the Employment Strategy we put in place in 2000 to broaden its focus and place greater emphasis on the quality of work we undertake, and the rewards we gain from it.

Our success (reflected in the unemployment rate of 3.9%) challenges our ability to continue with rapid employment growth. While we can and will continue to help people find work, we cannot continue to grow our wealth as a nation simply by increasing the number of jobs and the number of people in them.

We must start to focus more on the quality of our work, the value of our work and, importantly, the rewards from our work. Productivity gains are the key.

Productivity is not just about how hard we work, it's also about lifting the quality of work, our skill levels, and health and safety in our workplaces. Importantly,

it is about doing so in ways that meet the needs of different sectors, industries and regions. Lifting productivity will enable individuals and businesses to improve the rewards from work – lifting profits and pay, and improving work-life balance.

By improving work practices and processes, we can prevent illnesses and injuries at work, and reduce other business losses at the same time.

Much of this change is already underway. Workers and businesses are the drivers of this change. Industries, unions, sectors and regions are working to address skill and labour shortages, improve workplace health and safety, and make paid work more attractive and possible for a wider range of people.

There is a role for government in supporting and facilitating these changes, including supporting people through education and training, facilitating sector and regional development, and providing tools that will assist workplaces to improve their performance.

We have set out in this document the Government's direction for the future of the labour market and the work we do, so that it makes a greater contribution to our economy and society.

This document provides examples showing where individuals and businesses are taking the steps needed, and identifies what the Government is doing to support these changes. Government will continue to review progress towards the goals set out in this strategy, and take action to support individuals, businesses, industries and regions as they move towards better work for more of us, and working better for all of us.



Hon Steve Maharey
*Minister for Social Development
and Employment*



Hon Paul Swain
Minister of Labour



Hon Ruth Dyson
*Associate Minister
of Labour*

The growth in employment over recent years has been a reflection of a strong and vibrant economy. The drop in unemployment rate is to be welcomed but New Zealand has still some way to go to reach what is Business New Zealand's key goal – for this country to gain and retain a first world national income and to retake its place in the top ten of the OECD.

Better Work, Working Better suggests ways that could help to achieve that goal and so improve the wellbeing of all New Zealanders. Business New Zealand welcomes the focus on immigration, skills development, improved productivity, sustainable employment and the like, recognising that the labour market is a common element in all these areas. But by the same token, real progress can be made only if a degree of flexibility is allowed to operate. A balance must be found between protecting and enhancing employment conditions by statutory means and allowing enterprises – underpinned by minimum standards – to develop at their own pace. It is only through policies that encourage the establishment and growth of new and innovative enterprises that New Zealand can be certain of its future ability to deliver quality outcomes, whether in raised living standards, or in social services – health, education, and superannuation provision among them.



Phil O'Reilly
Chief Executive, Business New Zealand

Many of the key issues we face as a nation are linked to the labour market. Skill shortages, lifting incomes through employment, migration, and improving productivity are just a few examples. I therefore welcome a positive and coherent labour market and employment strategy.

Unions are strong advocates for improved labour market outcomes. We seek not only improved minimum standards in law (such as holidays, health and safety) and increases in the minimum wage, but also a stable employment law that promotes collective bargaining to deliver a fair share for workers.

But we also know that to improve labour market outcomes, we need higher levels of investment in the productivity drivers such as skills, technology, work organisation, and positive workplace cultures. We need specific programmes of work that address pay equity, work-life balance and decent work. We need a government that works in partnership with business and unions on industry strategies. And we need careful consultation on key issues such as migration policy.

I think considerable progress has been made in the last few years. We are not only seeing lower levels of unemployment, but also more investment in quality outcomes for those in work. But the challenges are immense. If we are to ensure that our labour market not only provides improved rewards for workers, but also delivers sustainable employment in a global labour market, nothing short of excellence will do. That is why the breadth and vision of this strategy is so vital.



Ross Wilson
President, New Zealand Council of Trade Unions

Issues associated with the labour market are a key concern for the 22,000 members of Chambers of Commerce throughout New Zealand. As the Government recognises, we have done very well in recent years in growing our economy on the back of increased labour utilisation. But this success has brought with it new challenges. With unemployment at its current low level, we can't grow output by employing more staff. New workers are becoming increasingly difficult to find, and skilled workers are an even scarcer commodity.

In this environment everyone, including our members, will have to transform the way they work if we are to keep the output expanding. We need to:

- improve our productivity growth rates substantially
- make better use of technology
- invest in infrastructure
- increase research and development
- improve skills training
- review our immigration policies
- ensure our education sector delivers school and university graduates with the skills that our economy needs.

The New Zealand Chambers of Commerce and Industry looks forward to working with Government in all these areas, many of which are included in this Better Work, Working Better document.



Charles Finny

Director, New Zealand Chambers of Commerce and Industry

The Mayors Taskforce for Jobs has worked with the Government over the last five years on labour market strategies to improve our communities. Mayors are particularly interested in ensuring that our young people have opportunities, and an economic future which uses all their skills and talents. A focus on skill development, sound transition policies, lifting wages and active engagement with regional and local communities supports this vision and is critical to improving the labour market. Of crucial importance to achieving our goals and improving social and economic outcomes is the need for collaborative action and genuine partnership across all sectors. As Mayors, we are in a unique position to speak to the whole community, take civic leadership and facilitate collaboration.



Garry Moore

Chair, Mayors Taskforce for Jobs

LABOUR MARKET AND EMPLOYMENT STRATEGY

INTRODUCTION

Improving the performance of the labour market will increase social and economic wellbeing of all New Zealanders. This document sets out the areas where we can make changes to bring that about. It brings together a number of areas that have generally been viewed as separate activities, and describes how we can get better results if these activities are better aligned.

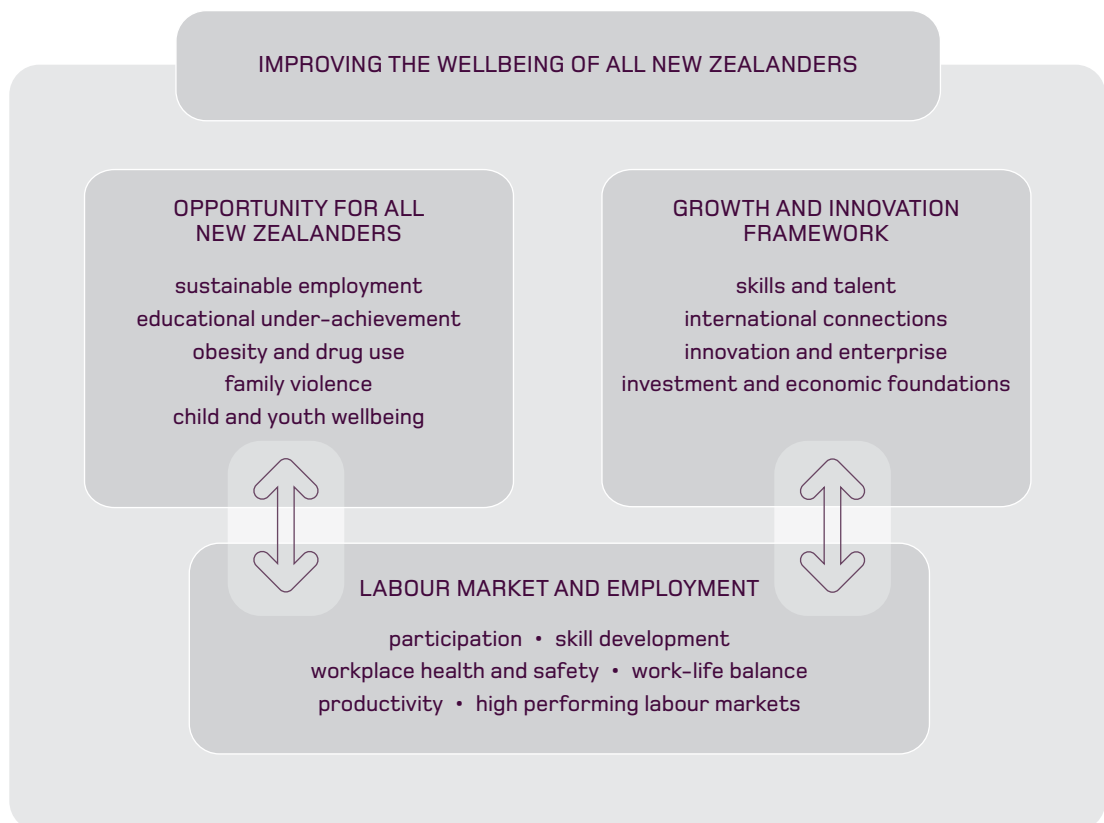
Better Work, Working Better is an evolution of the Employment Strategy, which the Government established in 2000. Since that time, the number of New Zealanders in employment has risen by over 250,000, and unemployment rates have dropped to the second lowest level in the OECD. This is a significant success, but it has brought new challenges.

Our strong levels of economic growth over recent years have been based on getting more people into

work, and people working more hours. We are now faced with a new challenge: to find ways of working that will continue to make us individually better off, lift profits and improve our overall wellbeing.

The trick is finding ways of doing this that don't rely principally on adding more people to the mix, because people are fast becoming one of our scarcest resources. This strategy identifies how we can move towards better work, and how we can work better.

The Government has established a clear overall objective of improving the wellbeing of New Zealanders, which requires improving both our social and economic outcomes. Two major strategies to achieve this are the Growth and Innovation Framework (GIF) and Opportunity for All New Zealanders. Better Work, Working Better supports both GIF and Opportunity for All, as the labour market and employment are important links between social and economic outcomes.



The labour market and employment are key elements in achieving our social and economic goals. People contribute to economic growth and social outcomes through their work. Likewise, social outcomes and economic cycles affect people's ability or opportunities to work. Better Work, Working Better will help improve the performance of the labour market, and contribute to the achievement of both social and economic goals, for workers, businesses and our wider community.

HOW WILL BETTER WORK, WORKING BETTER MAKE A DIFFERENCE?

Better Work, Working Better's objective of a labour market that makes a greater contribution to sustainable economic growth and opportunities for all New Zealanders can be achieved through:

- **Businesses and individuals** taking action to improve participation, skill levels, productivity, and labour market performance. Government supports this by:
 - sharing of best practice
 - an effective regulatory environment
 - quality investment
 - active labour market development policies.
- **Major projects** such as:
 - Enhancing Parents' Choices
 - Workplace Productivity Agenda
 - Work-Life Balance Project
 - Workplace Health and Safety Strategy for New Zealand to 2015
 - Partnership Resource Centre
 - Pay and Employment Equity in the Public Sector
 - Statement of Tertiary Education Priorities 2005-07
 - Skilled Migrant Programme
 - Project Collaboration – a joint government-private sector project to lift the management capability of New Zealand businesses.

- **Aligning the activities and programmes** of government agencies, industry and business organisations, unions and local government through:

- policy co-ordination
- working with sectors, industries and regions
- government leading by example
- measurement, research and evaluation.

SETTING THE AGENDA

Better Work, Working Better will also play a role in setting the agenda for future policies and action to support a better performing labour market. It brings together things that, until now, have not necessarily been as well connected as they should have been, and highlights the relationships between them. It is therefore an opportunity for government, business, unions, and the community to work together to support each other's efforts to improve labour market and employment outcomes.



THE NEW ZEALAND LABOUR MARKET

VOLUME TO VALUE

The current state of the labour market presents New Zealand with a major opportunity to lift our business productivity and improve the quality of our working lives. The labour market has the potential to play a critical role in changing the nature of the New Zealand economy and improving our social outcomes, by shifting to higher-value products and services and increased levels of productivity, that ultimately provide more interesting and innovative work, and higher wages and profitability.

The better our labour market performs, the more opportunities it will create and deliver for New Zealanders, which will provide greater rewards to individuals and the community at large. Participation in high quality and rewarding work is an important means of improving the wellbeing of New Zealanders, both for those who are in work, and their families and communities.

New Zealand's recent economic growth and, in particular, dramatic reductions in unemployment provide both the imperative and the opportunity for a qualitative shift in the way New Zealand's labour market operates. The majority of our growth over the last five years has been driven by more people working more hours. Both employment and hours worked have risen an average of 2.4% per annum over this period. New Zealanders now work one of the highest number of hours per week internationally. By comparison, labour productivity has risen by an average of 1.5% per annum over the same period, which is below the international average.¹

With one of the lowest unemployment rates in the OECD, and record high levels of skill and labour shortages, the New Zealand business community (and government) are faced with a stark choice – a slowing in growth and consequential reductions in our ability to pay for social services, or a change in how we do business.

We can still make further gains in participation, and for many individuals and some key groups with lower participation this is highly desirable. Demographic trends towards a smaller workforce

will mean we will have to keep a focus on making work possible and rewarding for as many people as we can. We will have to continue efforts to reduce barriers to employment for an increasingly diverse range of people, and make new efforts to improve the attractiveness of work.

We will have to address the social and economic challenges facing Māori and Pacific peoples, who will be the largest growing groups of young people entering work. This will include easing the transitions between work and other aspects of people's lives, including their community responsibilities. Making it easier for people to combine work and other important parts of their lives such as study, family, 'retirement' and leisure, over longer periods of their lives, will be important. Promoting ongoing learning in the workplace will be an important component of this, as will more flexible approaches to job design. Equally, we need to continue to focus on improving health and safety in the workplace, as illness and injury at work are both a major issue for individuals and their families and undermine our attempts to lift productivity.

We need to find ways to add value to what we do faster than we add volume, by improving productivity. This is about changing the proportion of businesses that are increasing their focus on value, while recognising that many businesses will also need to continue to lift volume. Overall, we need to shift the balance from growth based on doing 'more', to growth based on doing 'better' – a vital move if we are to compete internationally (especially with countries like China, India and Brazil where there are large supplies of relatively cheap labour).

We will need to address the labour market and employment outcomes of the whole economy, not simply the export sector. The majority of New Zealanders will work in sectors that are not directly export-oriented, so lifting the productivity of domestic sectors is equally important. This includes improving productivity and quality in the delivery of social services such as health and education, and the operation of government. Essentially, we need to lift the value and productivity of work across the economy if we are to achieve our objectives.

1. See the Appendix for further details of progress towards the goals of the Employment Strategy.

A more skilled, motivated and adaptable workforce is a critical component of creating a better performing labour market, as it will enable us to lift productivity and improve the quality and safety of our work. But equally important is clear business strategy, identifying and developing new higher-value products, and business models that capture a greater proportion of the total value produced. Leadership and management capability has a significant role to play in these.

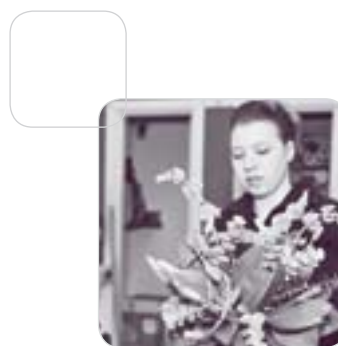
These changes will ultimately have to occur within New Zealand businesses and organisations, and in the working lives of New Zealanders. There are a number of parts of the New Zealand economy that have already begun to make changes towards higher productivity and quality of work. We can and need to learn from them, while recognising that how these changes can best be made in different sectors, industries, regions and firms will be as varied as the number and kind of businesses in New Zealand. For example, it will be in our interest to foster the development of the growing Māori asset base, and its productive use, for the benefit of Māori and the wider community.

Government can assist businesses and individuals to make these changes, but it must do so in ways that support, incentivise and facilitate change. Government cannot make the change happen itself, except where it is a major employer or funder. In the latter cases it should take a leading role.

Many industries are currently seeking assistance from government to address skill and labour shortages through immigration and education and training – essentially by increasing the supply of labour. But for many of these industries, these responses may only provide short-term relief, and will not address the fundamental issues they are facing. The challenges they face often relate to the value of the product or service that they offer, the yield or percentage value they obtain from those products or services, and the way they make use of their people’s skills to best extract value from their services or products.

The Government is already doing many things to assist businesses and individuals in changing the way we work. But we know that, if we want a different outcome, we will have to do things differently. This will mean new approaches to facilitating and enabling change; changing the way government interacts with sectors, industries, and regions; and how government regulates, funds and delivers services.

This strategy describes the outcomes we seek, and sets out a broad approach to getting there, but we recognise that the paths for different sectors, regions and organisations, and the people who work in them, will differ. We look forward to working with all of these groups to help them achieve their goals.



A HIGH-PERFORMING LABOUR MARKET

A high-performing labour market can contribute to an economy and society in which:

- creating value is increasingly as important as growing volume
- innovation and strategic thinking about global opportunities underpin the development of new, higher-value products and services
- New Zealand businesses and workers capture a greater percentage of the value of products and services
- there are opportunities for all New Zealanders to participate and succeed
- greater rewards are realised, in a variety of forms, including more interesting and satisfying work, more time for creativity (in and out of work), higher wages, greater profit, more leisure time, and better outcomes for families
- the wellbeing of New Zealanders is enhanced by high-quality working lives.

In order to achieve such an outcome, we want to develop a high-performing labour market that can be described by the following characteristics:

The nature of employment

- High levels of participation in work, but with greater variability in types of participation – i.e. a greater variety of types of work, greater variability of hours of work.
- Longer, more durable attachment to the labour market by choice over the course of people's lifetimes, with improved transitions between paid work and other important parts of people's lives.
- Quality of life enriched by an appropriate balance between working life and other objectives.

The skills and abilities of the workforce

- A more diverse workforce, with a consequently greater range of skills, experience, knowledge and aptitudes, enabling greater adaptability.
- A workforce with a higher level of key skills (critically including literacy, numeracy, communication and strategic thinking skills) which contributes effectively to higher-value-added work and can adapt to changing labour market requirements.

- A greater focus on globally-relevant skills and talents, including making better use of the contacts and skills of immigrants, as well as New Zealanders abroad.

The kinds of workplaces and working environments

- Workplaces organised to get the best out of people, maximising their productivity and releasing their discretionary effort.
- Workplaces which are safe and healthy, and where illness and injury at work are prevented.
- Workplaces investing in people and technology – and ensuring that the productive potential of technology is realised.
- A quality labour market regulatory environment that encourages a focus on value and improved performance.

The sectors, industries and regions people work in

- More people working in more productive, higher-value areas of the economy.
- Active support and assistance for people to make the move to higher-value and higher-quality work.
- Industries, regions, businesses, unions and individuals having a greater understanding of the situation they are in, the direction they are moving in, and the changes they will have to make along the way.



FOCUS ON BETTER PERFORMANCE

Achieving a high-performing labour market, with the characteristics outlined above, will require us to lift our performance in a number of areas. There are many potential ways of achieving these changes – as many as there are individuals and firms in New Zealand. New Zealand firms and industries are also at many different points along their route to these goals.

This strategy seeks to set out clearly our aspirations for the kind of labour market we want, and to indicate in broad terms how we think we might get there. But it cannot (and should not) try and prescribe everything that should be done – simply

because of the important differences in our industries, regions, sectors and individual lives.

This strategy seeks to provide focal points around which we can organise and co-ordinate our activities, whether they are the activities of individuals, firms, business or industry bodies, unions, education providers, ITOs or government agencies.

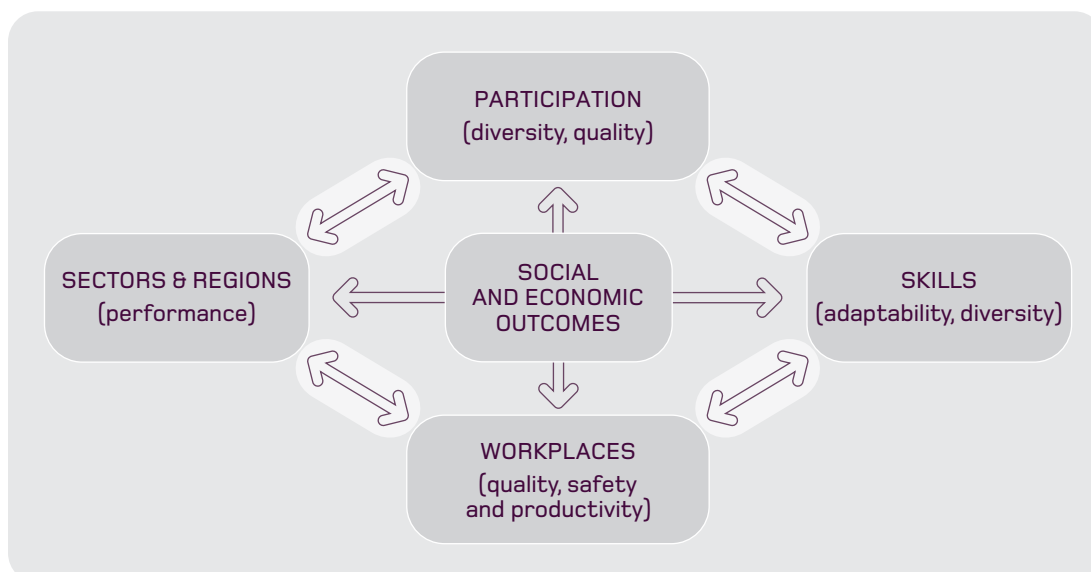
Drawing on the characteristics of a high-performing labour market, we have defined the following outcome and goals:

Outcome:	High-quality employment in productive and innovative industries, regions and businesses, that drives sustainable economic growth and opportunities for all New Zealanders
Goal 1:	High levels of participation in high-quality, well-paid and diversified employment
Goal 2:	A diverse, adaptable and highly-skilled workforce
Goal 3:	High-quality and productive workplaces, within an effective regulatory environment
Goal 4:	High-performing sector and regional labour markets

These goals are not a hierarchy.

Each of the goals is significantly dependent on the others for its achievement.

We will need to make progress in each if we are to achieve our outcome.



OUTCOME: High-quality employment in productive and innovative industries, regions and businesses, that drives sustainable economic growth and opportunities for all New Zealanders

Sustainable economic growth means growth that is less reliant on increasing volume, and focused more on creating value.

Productive industries will be creating value faster than they are increasing the volume of their products or services (although maintaining or lifting volume will also continue to be important for some businesses). Innovation and strategic thinking about global opportunities will underpin the development of new, higher-value products and services, as well as improving the value of existing ones.

New Zealand businesses and workers will capture a greater percentage of the value of products and services, which will require strong international connections and an understanding of international opportunities. The businesses and workers will have the skills and organisational capability to benefit from both public and private investment in research and technology. Export-oriented businesses will create opportunities for successful domestic businesses and services that are themselves of high quality and productivity.

Most importantly, quality employment and increased productivity will provide greater rewards in a variety of forms, including:

- more interesting and satisfying work
- more time for creativity (within and outside work)
- higher wages
- greater profit
- more leisure time
- better outcomes for families.

Overall, the opportunities to participate in the labour market will be available to all those who wish or need to take them up, and their participation will take place in ways that result in better outcomes for them and their families.

ACTIVITIES AND PROGRAMMES RELATING TO THIS GOAL:

Growth through Innovation (GIF) programmes, including:

- Skills and Talent
- International Connections
- Innovation and Enterprise
- Investment and Economic Foundations
- Research, science and technology investments

Opportunity for All New Zealanders

- Educational under-achievement
- Sustainable employment
- Obesity and drug use
- Family violence
- Child/youth wellbeing



GOAL 1: High levels of participation in high-quality, well-paid and diversified employment

High levels of participation mean everyone who wants or needs to participate in work is doing so. This will require improved opportunities and removing barriers to participation for many groups of people. Groups for whom better options for participation in quality work would be desirable include:

- women
- Māori
- Pacific peoples
- young people
- older people
- people with disabilities
- beneficiaries
- migrants and refugees.

High-quality employment will mean work that is rewarding and attractive, encouraging greater participation. Well-paid employment would provide some of the rewards that will enable participation.

Diversified employment will mean more varied work, including greater variability in hours of work. Some people will want to work more hours, others less, at different times in their lives. It may involve reorganising work to enable those who wish to balance work and other commitments to participate. It is likely to involve providing support for parents to participate, through things such as childcare, improving transport, and creating family-friendly workplaces, so that participation results in the best outcomes for them and their families.

Overall, employment and work would be characterised by:

- improved job security for those who seek it
- longer, more durable, attachment to the labour market by choice over the course of people's lifetimes, with people able to move more easily between paid work and other important parts of their lives
- flexible and attractive career structures within and between firms and industries, supported by ongoing career development
- quality of life enriched by an appropriate balance between working life and other objectives.

ACTIVITIES AND PROGRAMMES RELATING TO THIS GOAL:

- Employer of choice
- Work-Life Balance programme
- Pay and Employment Equity
- Childcare and Out-of-School Care
- Family Friendly Workplaces
- Working for Families
- Work and Income services
- Housing Strategy
- Careers advice and guidance

UTILISING STAFF DIVERSITY AND SKILLS AT INFORMATION TOOLS

Giving employees a stake in the success of the company, along with a trusting and open culture, has proved a winning formula at Information Tools, which has a staff turnover of one to two staff per year (out of a staff of 65), while its business growth soars at over 20% per annum. Information Tools specialises in the development of technology which is now used in more than 100 countries worldwide. The company has a highly-skilled diverse mix of staff from all corners of the globe, with over half of these being women. Its formulae for success include providing a broad range of employee incentives, such as flexible leave and profit sharing, and redesigning its structure, roles, administrative duties, and office layout to better utilise staff diversity and skills. *For more information:* <http://www.eeotrust.org.nz/peoplepower/>

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GOAL 2: A diverse, adaptable and highly-skilled workforce

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A diverse workforce will have a greater range of skills, experience, knowledge and aptitudes, enabling greater adaptability. Adaptability will be critical to innovation and creating value.

The workforce will need to have a higher level of key skills which enable them to contribute effectively to lifting the value of all forms of work. Critical skills include literacy, numeracy, communication and strategic thinking. Across the full spectrum of work, it will be important that we are able to adapt to changing skill requirements, and make the best use of our talents.

The education system has a key role to play in developing the skills and capabilities our people will need in the future. Raising educational achievement will be critical for all our people, from foundation skills to top level managerial capability. Ensuring that government's investment in education and training is assisting to improve labour market and employment outcomes will be an important role for government.

Maintaining and improving the skill levels of our workforce will also require learning to take place within our workplaces in a manner that lifts individual performance and workplace productivity. This will be an ongoing task, as technology and new products and services are developed – and to enable their development. This will be important in all parts of the economy and in many different kinds of businesses, from manufacturing to services, domestic and export-oriented.

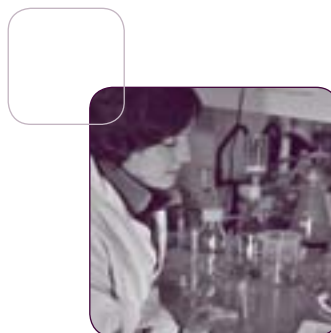
We will also need to make better use of the contacts and skills of immigrants, as well as New Zealanders internationally.

This will mean both that:

- talented people New Zealand wants are attracted to New Zealand by the quality of life and work it offers, and
- New Zealanders who travel abroad return with globally-relevant skill and talents and/or provide key linkages to international markets and opportunities.

ACTIVITIES AND PROGRAMMES RELATING TO THIS GOAL:

- Early childhood, compulsory and tertiary education
- Foundation learning, Training Opportunities
- Industry Training, Modern Apprenticeships, Gateway
- Management development, Project Collaboration
- Immigration and the New Zealand diaspora projects



GOAL 3: High-quality and productive workplaces within an effective regulatory environment

High-quality workplaces will be essential if we are to have high-quality working lives. They will be attractive places to work, helping us to retain our globally-skilled workforce, and they will provide the platform for improved productivity and greater reward. High-quality workplaces will be ones in which the participants understand their mutual interests in lifting and maintaining performance. Not all workplaces will be equally attractive – but all will need to address these issues if they want to perform to their best.

High-quality and productive workplaces will be ones that:

- have team leaders, supervisors, managers and employers who know how to get the best out of a diversified workforce
- are organised to get the best out of people, maximising their productivity
- have a culture that encourages people to generate and implement new ideas, and make a higher-value contribution
- are investing in people and technology – and in ensuring that people have the ability to realise the productive potential of technology
- have a strong management commitment to achieving high standards of workplace health and safety and have effective employee involvement in workplace health and safety matters
- are focused and have effective networking and collaboration with other workplaces and groups that can assist with improving performance
- have a clear understanding of how their workplace is performing, and the measurement of gains.

An effective and quality labour market regulatory environment will encourage and enable creating value and improving performance. Such an environment would be one in which:

- regulations are seen as a standard but also as creating a pathway to improved performance
- the standards make sense in a business and workplace context
- there is rigorous enforcement of standards coupled with tools to assist achieving and surpassing standards.

ACTIVITIES AND PROGRAMMES RELATING TO THIS GOAL:

Workplace Productivity Agenda

- Awareness raising
- Developing diagnostic tools
- Implementation with partners
- Research and evaluation

Workplace Health and Safety Strategy for New Zealand to 2015

- Preventive workplace cultures
- Industry leadership and community engagement
- Government leadership and practices

Effective regulation and practices

- Employment relations
- Occupational regulation
- Health and safety in employment
- Minimum wage
- Human rights legislation
- Sustainable industries programme

THE GOOD TIME FOOD COMPANY

The Good Time Food Company, a Napier pie-maker, has reduced staff turnover from 180% (1998) to 14% (2003) through better work practices. The company started with a turnover of \$30,000 in 1978. It now employs 38 staff and turnover is projected to grow to \$8 million. The company attributes its success to its work with staff. They were interviewed to find out what worked well. By having staff analyse their own area for bottlenecks, they sped up production. The result was improved job satisfaction for staff and a more profitable company, able to develop new products. The high levels of participation by staff in this strategic approach to the business ensured they became engaged in the performance of the company. *For more information: <http://www.dol.govt.nz/productivity/resources/getting-ahead.asp>*

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GOAL 4: High-performing sector and regional labour markets

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High-performing sector and regional labour markets will be labour markets in which there is a shift towards greater value and improved rewards for businesses and workers.

This will see more people working in higher-productivity, higher-value areas of the economy, which will occur both through shifts in where people work, and in changes in the productivity of sectors and regions. It will involve ensuring growth and improvements in productivity are distributed widely amongst sectors and regions.

Collaborative sector and regional labour market strategies will enable:

- improved alignment with wider strategies for industry and regional development (e.g. regional labour market strategies nested within economic development, or sectors adopting and implementing productivity improvements)
- identifying and addressing road blocks in the wider environment within which sector and regional labour markets operate (such as infrastructure).

Our objective is industries, regions, businesses and individuals that have a greater understanding of the situation they are in, the direction they are moving in, and the changes they will have to make along the way.

Facilitating and providing support for both firms and individuals to adjust to the changes in the labour market is a potential role for government, business and industry organisations. There may be a role for government and businesses to provide support and assistance to individual workers to make the transition from lower- to higher-quality employment and to more productive areas for work. A mature, active labour market system will enable and support the movement of individuals to higher productivity jobs.

ACTIVITIES AND PROGRAMMES RELATING TO THIS GOAL:

Active Labour Market Policies

- Job Partnerships for Industry
- Training Opportunities/Youth Training
- Industry Training Organisations' strategic leadership role
- Career advice and guidance

Sector and regional engagement and development

- Labour market information
- Sector and industry engagement and development
- Regional and local engagement and development

WOOD PROCESSING STRATEGY

The Wood Processing Strategy was initiated in 2001 as a partnership between the wood industry, government and unions. The strategy emerged through a joint desire to extract more value from a growing harvest of wood, stimulate a greater return on investment, address long-standing infrastructural and employment issues affecting the industry, and create a higher-value, higher-skilled economy, especially in the regions. This partnership approach has achieved several successes that the industry, unions or government could not have achieved independently, for example, increased transport funding in critical areas; establishment of research into wood quality and certification of sustainable forest management; a consistent policy on skill development; and an influence on the Government's energy policy, bio-security matters and trade negotiations with China for New Zealand wood exports. The partnership is now taking a strategic approach to the industry's future growth.

For more information contact the Partnership Resource Centre: <http://www.dol.govt.nz/services/partnershipresourcecentre/>

IMPLEMENTING THE STRATEGY

The outcome and goals of the strategy will be achieved only through the efforts of businesses and individuals working in them, supported by industry and business organisations, unions, and other organisations such as education and training providers.

The Government has a role in supporting and facilitating change at the individual, firm, regional, sector, or national levels. Government needs to create the right environment, incentives and support for the achievement of the strategy's goals, in ways that don't prevent individuals and their employers from doing what they need to achieve those same goals.

BUSINESS AND INDIVIDUAL ACTION

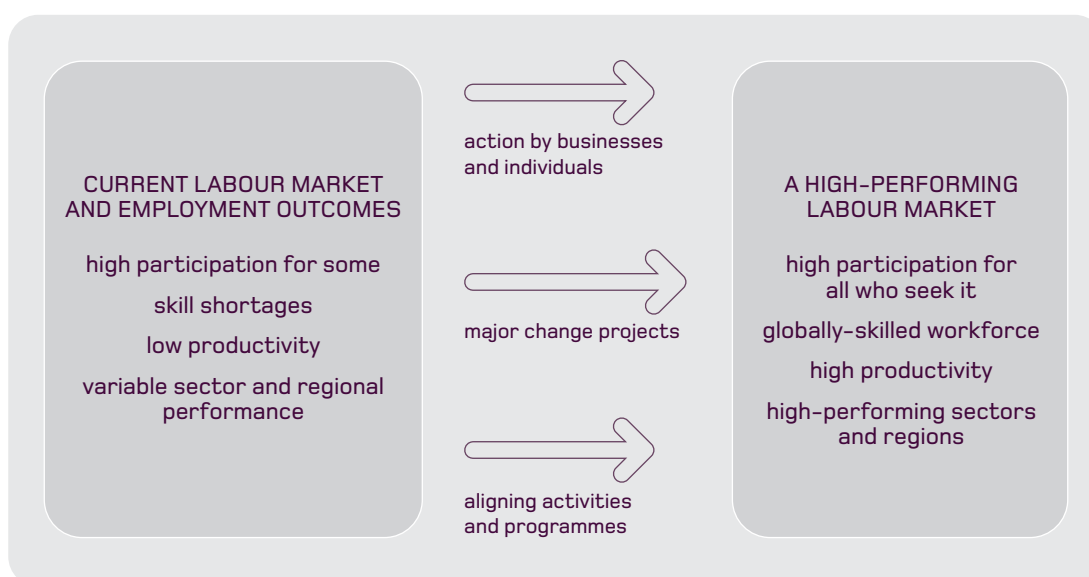
Fundamentally, it will be up to individuals and businesses to make the changes that we believe will result in better labour market and employment outcomes. There are a range of things that can be done to support them, including sharing best practice, providing an effective regulatory environment, making quality investments, and using active labour market policies. Government will need to continue to examine whether it is providing support to businesses and individuals in ways that make a real difference.

SHARING INFORMATION AND BEST PRACTICE

Encouraging and enabling the sharing of knowledge about the labour market, and both developing and sharing tools which help businesses and individuals transform the quality of employment and work, is an important means of lifting performance. Government agencies and sector bodies can play a role in brokering information, tools and services to support improving the quality of employment and lifting productivity. Government will continue to examine how it can facilitate the sharing of information and best practice about labour market and employment issues. We will take care to ensure that we support rather than hinder the efforts of the business community and other organisations, such as unions, to fulfil this function.

AN EFFECTIVE REGULATORY ENVIRONMENT

An effective regulatory environment is one in which the rules themselves make sense in a business and workplace context, and there is fair and even-handed enforcement of standards, coupled with tools to assist businesses and individuals achieve and surpass those standards. How the rules are implemented matters. They need to be clear and fairly applied, but also enable businesses to move beyond a focus on compliance, to lifting their performance and productivity. Government will continue to review



the effectiveness of the regulatory environment in the labour market and the extent to which it supports the achievement of our goals.

QUALITY INVESTMENT

The quality of investment that government makes has the potential to provide support to businesses and individuals in making changes that lift our participation, skill levels, productivity and labour market performance. Government makes very significant investment in skill development through the education and training system, from early childhood education through to industry training. Improving the quality and relevance of this investment will provide support to businesses and individuals both directly, by lifting skill levels, and indirectly, by supporting participation and productivity gains. The quality of government investment in other areas will also affect the ability of individuals and businesses to make the changes they are seeking to make, to lift their productivity and labour market performance.

ACTIVE LABOUR MARKET DEVELOPMENT POLICIES

Government has a range of policies and initiatives in place to directly support better labour market outcomes for individuals and businesses. Traditionally these have focused on assisting more people (particularly those who were unemployed) to seek and find work. It has included assisting those individuals with developing the skills they need (through programmes such as Training Opportunities and Youth Training), job search services provided by Work and Income, information about career and training options provided by Career Services, and partnerships with employers such as the Job Partnerships for Industry.

In the future, there may be opportunities for other sorts of active labour market development policies that assist people to develop and retain their links with the world of work, to continue their career development, to stay in work, or to find new types of work.

MAJOR CHANGE PROJECTS

These are projects that seek to bring about significant changes in the way issues in the labour market are thought about and dealt with by government agencies and private sector organisations.

ENHANCING PARENTS' CHOICES

People with caring responsibilities, particularly for children, form the largest group who face significant barriers to participating in work. When making their decisions about work, people often need to make trade-offs between different objectives, such as accessing the benefits of work, and meeting their caring and wider social responsibilities. Their decisions are affected by, and, in turn, affect the decisions of others about participating in work. The objective of this major initiative is therefore improving the range of choices that parents and other carers have about work, and enabling them to make choices that lead to the best outcomes for them, their children, business and the community.

WORKPLACE PRODUCTIVITY AGENDA

<http://www.dol.govt.nz/productivity/>
The Workplace Productivity Agenda is the Government's response to the Workplace Productivity Working Group's report, the Workplace Productivity Challenge. It is a joint public and private sector programme of work to:

- raise awareness of workplace productivity issues
- develop diagnostic and other productivity tools
- take action to raise productivity
- carry out research and evaluation about what works in lifting productivity.

The business community and the trade union movement are key stakeholders in the Agenda, and participate in its implementation.

WORK-LIFE BALANCE PROJECT

<http://www.dol.govt.nz/worklife/>
This is about getting more people thinking about the work-life balance issues and helping more people enjoy the benefits. Work-life balance is different for everyone. For some it may mean more work, for others less. We know many organisations are already investing in good work-life balance practices – and there's no 'one size fits all' solution. We aim to find out what is already being done, and see what other practical solutions could work for employers and employees.

WORKPLACE HEALTH AND SAFETY STRATEGY FOR NEW ZEALAND TO 2015

<http://www.whss.govt.nz/>

The strategy provides a framework for the workplace health and safety activities of government agencies, local government, unions, employer and industry organisations, other non-government organisations, and workplaces. The strategy envisions a healthy workforce in safe and productive workplaces. It highlights the importance of having preventive workplace cultures, industry leadership and community engagement, and effective government leadership and practices. The nine objectives in the strategy will be progressed through annual action plans from 2005/06.

PARTNERSHIP RESOURCE CENTRE

<http://www.dol.govt.nz/services/partnershipresourcecentre/>

The Partnership Resource Centre is a base of expertise and resources, aiming to help unions and employers to establish workplace partnerships. These partnerships will help employers and unions to respond to change, build capability and improve performance, worker contribution and the quality of the workplace for employees. The Partnership Resource Centre provides facilitation, research, advocacy and support services to employers and unions. Its services are available for both the public and private sectors.

PAY AND EMPLOYMENT EQUITY IN THE PUBLIC SECTOR

<http://www.dol.govt.nz/services/payandemploymentequity/>

The Government has made a commitment to a five-year Plan of Action on Pay and Employment Equity to ensure that remuneration, job choice and job opportunities in the public service, public health and public education are not affected by gender. The Pay and Employment Equity Unit was established in 2004 to assist in developing a comprehensive and creative approach to finding out why gaps in pay and employment equity exist, and look for solutions that work for employers as well as employees. The Pay and Employment Equity Unit is developing a pay and employment equity audit process and a gender-neutral job evaluation. These will help organisations assess how well they

are performing in gender equity and how they might ensure equitable outcomes for present and future employees. A contestable fund provides resources to build capacity for participating in pay and employment equity processes. A tripartite steering group has been established to lead and evaluate the progress on the plan.

STATEMENT OF TERTIARY EDUCATION PRIORITIES 2005-07 (STEP)

http://www.tec.govt.nz/about_tec/strategy/step/step.html

The Statement of Tertiary Education Priorities provides guidance to the Tertiary Education Commission and tertiary education providers so that funding priorities target provision of education that is of high quality and relevant to New Zealand's needs. The key priorities in the STEP are for tertiary education organisations to work with the Tertiary Education Commission, the New Zealand Qualifications Authority (NZQA), and the Ministry of Education to:

- take responsibility for, and actively work to improve, the quality of their teaching to ensure that all students and learners gain the best value possible from their participation in tertiary education
- ensure that students and learners access excellent education and training, which is relevant to both their needs and to New Zealand's broad national goals, and that they increasingly progress to higher levels of learning and qualifications
- enable knowledge, teaching, and research activities to give greater support to innovation in all aspects of New Zealand life, and to the social, economic, environmental and intellectual development of New Zealand and the maintenance of our unique environment.

SKILLED MIGRANT CATEGORY

<http://www.immigration.govt.nz/>

The Skilled Migrant Category represents a major shift in New Zealand's approach to immigration, with a stronger focus on skilled migrants meeting New Zealand's needs and opportunities. It has involved a move away from the passive acceptance of residence applications to the active recruitment of the skilled migrants that New Zealand needs.

The 'Invitation to Apply' mechanism ensures that applications are only received from those who are likely to meet New Zealand's needs and to settle well.

The Skilled Migrant Category has continued to evolve in response to New Zealand's changing labour market needs, including skill and labour shortages. These changes have facilitated a broader skill mix of migrants and enabled the policy to be even more responsive to New Zealand's needs and growth opportunities. Given the chronic skill shortages in the trades, these areas have particularly benefited from more recent changes to the Skilled Migrant Category.

PROJECT COLLABORATION

http://www.med.govt.nz/irdev/ind_dev/project-collaboration/

Project Collaboration is a collaborative venture between the Government and the private sector. It is part of a drive, supported by many organisations, to build business capability in New Zealand. The project will focus on ensuring that there is strong demand for, as well as quality supply of, capability building services. Project Collaboration will support better labour market outcomes by building business capability, which will enable better quality work, better use of skill, and greater productivity.

ALIGNING PROGRAMMES AND ACTIVITIES

The outcome and goals of the strategy provide a means of aligning the work of a range of government agencies, business and industry organisations, unions and local government.

CO-ORDINATING POLICY

Improving the co-ordination of policy and the targeting of services and funding is an important contribution government can make to helping industries, workplaces, and workers improve the quality of employment and lift productivity.

Dialogue and ongoing relationships with sectors, industries and regions will provide vital information for improving policy and service delivery, and the greater sharing of knowledge about the labour market will enable better targeting of services.

WORKING WITH SECTORS, INDUSTRIES AND REGIONS

Facilitating and supporting dialogue about how to develop and improve the labour market between the key players in sectors, industries and regions is a role that government can usefully play. The labour market challenges facing each sector, industry or region can be quite different, so the responses by government and sectors will need to vary.

Government's role in these processes can be that of 'honest broker' between participants, but could also enable and support a strategic approach to sector, industry and regional issues – focusing on the labour market, but addressing related issues as well. Labour market development discussions will provide a forum for addressing a range of problems – issues that cross the boundaries between government agencies, and are shared between sectors, industries and regions, and that require a holistic approach.

GOVERNMENT LEADING BY EXAMPLE

Government is a significant part of the economy, and a big player in the labour market. The Government employs a large proportion of the workforce, and the productivity of this workforce (including the education and health sector workforces) is critical for our wider social and economic outcomes. Furthermore, government's overall productivity has an important impact on the productivity of the economy. The Government will need to lead by example if the private sector is to be able to achieve all that it can. The new Development Goals for State Services will provide a basis for the Government to lead by example. The government is also taking steps to improve pay and employment equity in the public sector, and to lift the quality of service through initiatives such as the Partnerships for Quality.

MEASUREMENT, RESEARCH AND EVALUATION

Government can support research on ways of improving productivity and lifting employment quality, and assist with disseminating the findings of such research, including research by firms and business organisations on what works to lift productivity and employment outcomes. International comparisons, benchmarking and information will be useful in achieving our goals. Government will provide access to this information through international bodies and its wider links.

MEASUREMENT OF PROGRESS

To achieve the outcome and goals of the strategy, we will need a means of measuring our progress towards those goals.

We will make use of a range of existing indicators, principally drawn from those used in the Economic Development Indicators Report (EDIR) and the

Social Report (SR), to measure progress towards the goals and identify areas where more work is needed. We will also make use of relevant indicators from other strategies, such as the Tertiary Education Strategy (TES), as well as a number of indicators specific to Better Work, Working Better (BWWB).

REPRESENTATIVE INDICATORS

- Outcome:**
- GDP growth (EDIR)
 - GDP per capita (EDIR)
 - employment growth (EDIR)
 - labour productivity growth (EDIR)
 - population with low living standards (SR)
-

- Goal 1:**
- labour force participation rate (EDIR)
 - unemployment rate (EDIR)
 - average earnings from wages and salary jobs (EDIR)
 - part-time and full-time employment (BWWB)
 - satisfaction with work-life balance (SR)
 - above indicators for different groups:
 - women and men
 - Māori, Pacific peoples, and other ethnic groups
 - young people
 - people approaching retirement
 - people with a disability
 - refugees and migrants
-

- Goal 2:**
- qualifications of those in the workforce (EDIR/SR)
 - literacy and numeracy skills in the workforce (EDIR/SR)
 - educational attainment of school leavers (SR)
 - participation in industry training and modern apprenticeships (TES)
 - above indicators by gender, ethnicity, age and other status
 - numbers of New Zealanders, migrants and Australians joining the workforce (BWWB)
 - number of New Zealanders leaving and returning to NZ (BWWB)
 - skill shortage indicators (EDIR/BWWB)
-

- Goal 3:**
- labour productivity and multi-factor productivity (EDIR)
 - capital intensity (ratio of capital per hour worked) (BWWB)
 - investment in research and development (EDIR)
 - technology adoption (EDIR)
 - NZIM Management Capability Index (BWWB)
 - World Bank's Doing Business Survey (EDIR)
 - levels of industrial disputes (BWWB)
 - workplace injury claims (SR)
 - number of employee days lost to work-related injury and diseases (BWWB)
-

- Goal 4:**
- any of the above indicators by sector, industry or region
-

OUR GOALS AND EXAMPLES OF EXISTING AREAS OF WORK

	Goals	Example areas of work (Agencies)
Outcome:	High-quality employment in productive and innovative industries, regions and businesses, that drives sustainable economic growth and opportunities for all New Zealanders	GIF (GIAB, MED, TSY, MoRST, MoE, DoL) <ul style="list-style-type: none"> • skills and talent • international connections • innovation and enterprise • investment and economic foundations Opportunity for All (MSD, MoE, MoH, DoL) <ul style="list-style-type: none"> • educational under-achievement • sustainable employment • obesity and drug use, family violence • child/youth wellbeing
Goal 1:	High levels of participation in high-quality, well-paid and diversified employment	Participation (DoL, MSD, others) <ul style="list-style-type: none"> • women's and men's participation • Māori participation • Pacific peoples' participation • younger and older people • people with disabilities • migrants and refugees Utilisation (DoL, MSD) <ul style="list-style-type: none"> • work-life balance • employer of choice • pay and employment equity • Working for Families
Goal 2:	A diverse, adaptable and highly-skilled workforce.	Global Skills and Talent (DoL, MFAT) <ul style="list-style-type: none"> • immigration • trans-Tasman workforce • New Zealanders abroad Skill Development (MoE, TEC, MSD, MED) <ul style="list-style-type: none"> • early childhood and compulsory education • tertiary education • foundation and management skills • workplace learning
Goal 3:	High-quality and productive workplaces, within an effective regulatory environment	Workplace Productivity (DoL, MED, MoRST, NZTE) <ul style="list-style-type: none"> • leadership and management • workplace culture • innovation and technology • people and skills • work organisation • networking and collaboration • measurement Workplace Health and Safety Strategy for New Zealand to 2015 (DoL, ACC, others) <ul style="list-style-type: none"> • preventive workplace cultures • industry leadership and community engagement • government leadership and practices



Goals	Example areas of work (Agencies)
[Goal 3 cont...]	Effective regulation (DoL, others) <ul style="list-style-type: none">• employment relations• occupational regulation• health and safety in employment• minimum wage• human rights legislation
Goal 4: High-performing sector and regional labour markets	Sector/regional development (DoL, MSD, MED, NZTE, sector agencies) <ul style="list-style-type: none">• labour market information• sector and industry labour market development• regional and local labour market development Active Labour Market Policies (DoL, MSD, TEC, Career Services, others) <ul style="list-style-type: none">• Training Opportunities/Youth Training• Job Partnerships for Industry• career advice and guidance



APPENDIX: REPORT ON PROGRESS AGAINST THE EMPLOYMENT STRATEGY GOALS TO DECEMBER 2004

In 2000, Cabinet approved the Government's Employment Strategy. The unemployment rate was 5.8% in the September 2000 quarter. In the four years since the Employment Strategy was put in place, unemployment dropped to 3.6% of the workforce, the lowest figure in the OECD. At the same time, over 250,000 more jobs were created for New Zealanders.

There has been significant progress against all the goals of the Employment Strategy in the five years to December 2004 as outlined in the following sections.

GOAL 1: ENSURING MACROECONOMIC POLICIES ENABLE SUSTAINED ECONOMIC GROWTH AND ITS ACCOMPANYING JOB CREATION

STRONG ECONOMIC AND EMPLOYMENT GROWTH...

The New Zealand economy has put in a strong performance over the last five years. Between 1999 and 2004, economic growth averaged 3.8%, above the OECD average (2.4%) and also above Australia (3.2%), the UK (2.7%) and the US (2.7%). Strong economic growth has been built on a foundation of stable fiscal and monetary policies, low inflation, high levels of net migration and buoyant commodity export prices.

The labour market has been both the beneficiary of, and contributor to, this positive economic performance. Over the same five-year period, employment growth has averaged 2.6% and the unemployment rate has fallen from an average 6.8% (1999) to 3.9% (2004).

...IS NOW EASING TO MORE SUSTAINABLE RATES

Economic growth in the December 2004 quarter was a modest 0.4%, but annual growth rose to 4.8% over the 2004 calendar year, up from 3.4% over the previous year. The economy has now expanded for 18 consecutive quarters and for 24 out of the last 25 quarters, with output falling in just one quarter since the recession of 1997/98.

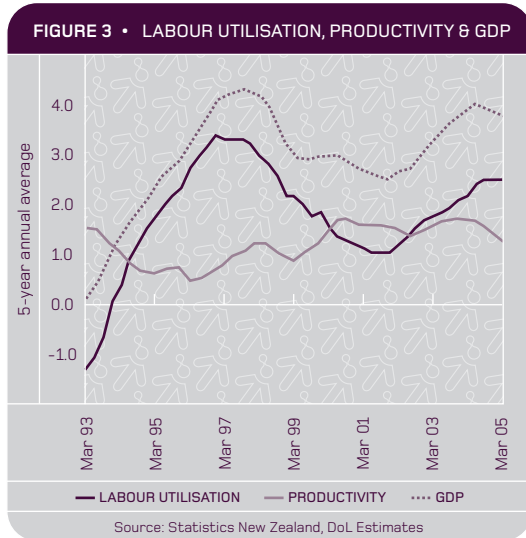
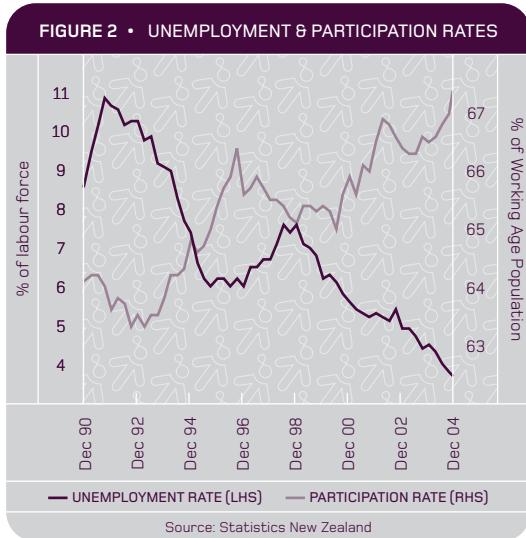
The domestically-oriented industries of construction, wholesale and retail trade, education, and transport and communication services were the main drivers of economic growth over the last year. An easing in residential investment is now beginning to impact on the level of activity in the construction industry, with the growth rate easing from 13.8% over the year to December 2003 to 7.4% over the year to December 2004.

Data from the December 2004 quarter Household Labour Force Survey (HLFS) capped off an exceptional year for the labour market. Very strong quarterly employment growth of 1.6% pushed the unemployment rate down to 3.6%, and the labour participation rate rose to 67.7% – all HLFS records. New Zealand's unemployment rate is now the lowest of the OECD nations with comparable data, both in terms of the absolute level and also the declining trend in unemployment over the past year.

Economic growth is now beginning to slow to more sustainable rates of 2-2.5% per annum, as migration eases and higher interest rates and exchange rates begin to constrain activity. However, the Government's sound macroeconomic framework means the ability of the economy to make use of its existing resources, particularly labour, has improved. As a consequence, the outlook for the labour market remains positive.

FIGURE 1 • ECONOMIC & EMPLOYMENT GROWTH





GOAL 2: PROMOTING AN 'EMPLOYMENT-RICH, HIGH-PRODUCTIVITY' ECONOMY

ROBUST GROWTH IN LABOUR UTILISATION OVER THE PAST FIVE YEARS

Strong economic growth averaging 3.8% between 1999-2004 has been largely the result of growth in labour utilisation (averaging 2.4%) with a smaller contribution from growth in labour productivity (output divided by hours worked), averaging 1.4%.

It has not been surprising to see more subdued labour productivity growth over this period for a number of reasons. Firstly, growth in hours worked tends to lag behind growth in output, so estimates of labour productivity are likely to fall as a peak in a business cycle is approached. Secondly, there is a short-term trade-off between labour productivity and labour utilisation, with falling unemployment rates and higher participation rates often reducing productivity. New entrants to the labour force, particularly those that have not had strong links to the labour market, for example, long-term unemployed, tend to have relatively lower levels of productivity. Thirdly, we know that increased capital investment will lift labour productivity but this may take some time to show in official figures.

Ultimately, securing higher levels of aggregate labour productivity growth in the future will be the key to lifting our standard of living and meeting the Government's objective of returning our per capita income to the top half of the OECD rankings.

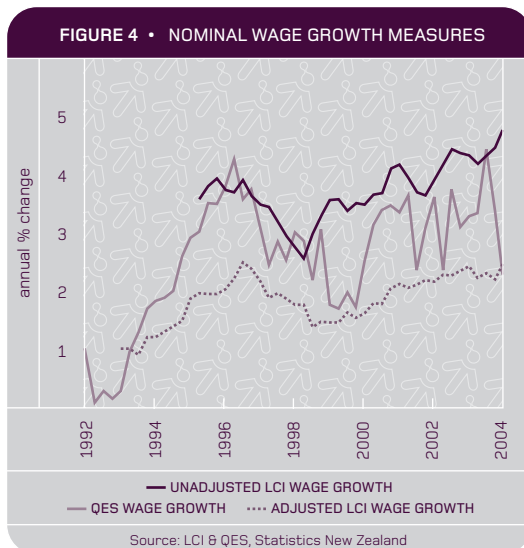
Productivity growth will also be the key to securing higher wages as, during a period of productivity growth, it is possible to raise real wages and other incomes without increasing inflationary pressure. Moderate real wage growth of about 1-1.5% a year has broadly matched labour productivity growth over the last five years.

2004 RESULTS

A strong labour market has been reflected in a substantial rise in the numbers of people employed over the course of 2004. In the 12 months to December 2004, employment rose by 87,000 people, or 4.4%. The expansion in employment over the year to December 2004 was driven by people entering both full-time work (up 3.8%) and people moving into part-time work (up 6.9%). Key industries driving the employment growth over the year were health and community services, education, and property and business services.

The labour force participation rate (the proportion of the working age population² in the labour force) jumped to an impressive 67.7% in the December 2004 quarter. A rise in the female participation rate

2. The working age population is defined as people who are usually residents in the non-institutionalised civilian population of New Zealand aged 15 years and over.



to an all-time high of 60.8% drove the total increase, but the male participation rate also edged higher to 75.1%.

There was a solid increase of 0.8% in all salary and wage rates during the December 2004 quarter, lifting the annual growth to 2.5%, matching the highest annual growth rate for this series reached in the year to June 1997. Growth in the experimental unadjusted Labour Cost Index³ rose from 4.5% in the year to September 2004, to 4.8% in the year to December 2004, the highest in the 10-year history of the series. Growth in the private sector experimental unadjusted LCI hit 4.9% in the year to December 2004.

3. The experimental unadjusted LCI retains the published LCI feature of fixed occupation and industry weights (thus no compositional change as in the Quarterly Employment Survey) but picks up rises that are not included in the published LCI (eg, improved performance). The difference between the official series and the experimental one can be interpreted as the rise in wages for productivity gains.

The Quarterly Employment Survey recorded annual growth in average hourly earnings in the year to December 2004 of 2.1%, the lowest annual growth since the year to September 2000. However, QES earnings statistics can be very volatile, primarily because an 'average' wage rate statistic can be influenced by changes in the composition of the paid workforce from survey to survey. For example, the total wages paid by a firm could have increased because more people were employed, more hours were worked, more qualified (higher-paid) people were employed, or more full-time workers were employed.

GOAL 3: DEVELOPING A HIGHLY-FLEXIBLE, HIGHLY-SKILLED WORKFORCE THAT IS RESPONSIVE TO THE NEEDS OF THE LABOUR MARKET AND AN INNOVATIVE ECONOMY

SKILL SHORTAGES RISE TO NEW 30-YEAR HIGHS AT THE CLOSE OF 2004

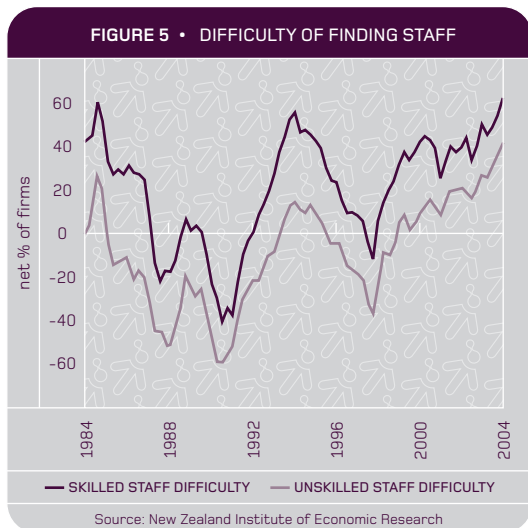
At the end of 2004 recruiting staff was harder than at any point since the early 1970s, according to skill shortage indicators from the Quarterly Survey of Business Opinion (OSBO), published by the New Zealand Institute of Economic Research (NZIER).

- A net 61% of firms had more difficulty finding skilled staff at December 2004. This is up from a net 54% at September 2004 and above previous net highs of 55% at December 1994 and 60% at June 1985.
- A net 40% of firms had more difficulty finding unskilled staff at December 2004. This is by far the highest figure recorded since the series began in 1975 and is now at a level considered high for the skilled staff series.
- One-quarter of firms (25%) listed a shortage of labour as the main factor limiting expansion at December 2004, the highest since 1974.

According to the Department of Labour's Job Vacancy Monitor, the areas of highest job vacancy growth in the year to December 2004 were plant and machinery workers (up 32%), professionals (up 28%), elementary workers (up 26%), and trades workers (up 22%).

KEY RESPONSES TO SHORTAGES

A rising labour force participation rate and falling unemployment rate have been crucial responses to skill shortages, as has been a reduction in the number of underemployed people (part-timers wanting to work more hours). Higher wages have also acted to attract people into areas where workers are in short supply and this will continue into the future.



Net migration should also continue to have a positive impact on the labour supply, especially as recent immigration policy changes (including the introduction of the Skilled Migrant Category) put more weight on the employability of potential immigrants.

However, the key way to relieve skill shortages and raise labour productivity lies with the education and training system. There has been a large upskilling of the population over time: the proportion of the working age population without qualifications has fallen from 40.7% in 1987 to 27.9% in 1999 and 25.2% in 2004, while the proportion with school and post-school qualifications has risen from 24.2% in 1987 to 35.9% in 1999 and 39.0% in 2004.

GOAL 4: DEVELOPING COMMUNITY CAPABILITY AS A SOURCE OF EMPLOYMENT OPPORTUNITIES

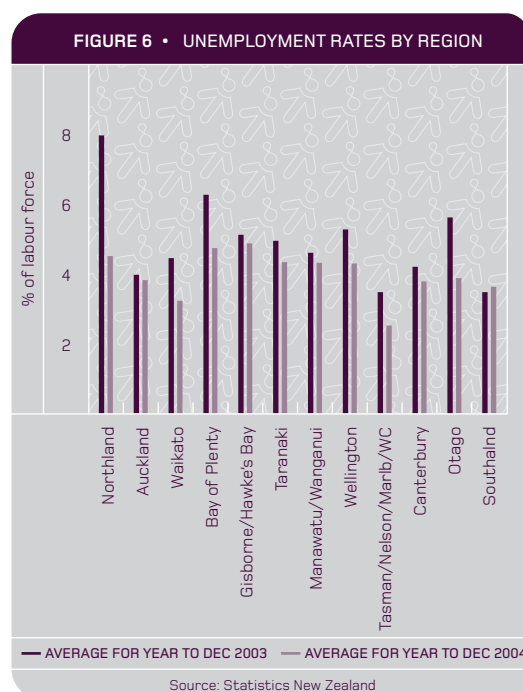
The strong improvement in the labour market over the last five years has been shared across the country. Between 1999 and 2004, employment growth has ranged from an average of 1.3% per annum in Southland to 4.2% per annum in Canterbury. Employment growth in the other main

regions was: Waikato (1.3%), Taranaki (1.8%), Wellington (2.0%), Bay of Plenty (2.0%), Gisborne/Hawke's Bay (2.1%), Auckland (2.5%), Tasman/Nelson/Marlborough/West Coast (2.5%), Otago (2.6%), Northland (2.7%) and Manawatu/Wanganui (3.8%).

ALL REGIONS NOW HAVE BELOW 5% UNEMPLOYMENT

The unemployment rate was below 5% in all the 12 regions over the year to December 2004. The traditionally high unemployment areas of Northland and Bay of Plenty were 4.5% and 4.7% respectively in 2004, down from 8.0% and 6.3% respectively in 2003. Gisborne/Hawke's Bay now has the highest annual unemployment rate of 4.8%. The lowest unemployment rate in the year to December 2004 was in Tasman/Nelson/Marlborough/West Coast at 2.5%, followed by Waikato at 3.2% and Southland at 3.6%.

The three main centres of Auckland (up 4%), Wellington (up 7%) and Canterbury (up 8%) all had statistically significant employment growth over the year to December 2004, as did Gisborne/Hawke's Bay (up 15%) and Tasman/Nelson/Marlborough/West Coast (up 11%).



GOAL 5: PROMOTING A FAIR EMPLOYMENT ENVIRONMENT THAT ENHANCES WORKING RELATIONSHIPS

In the year to September 2004 there were 36 work stoppages. This figure includes one lockout, 30 complete strikes, and five partial strikes. While the total number of stoppages is higher than in the year to September 2003 (when there were 29 stoppages), there were lower numbers of employees involved and days lost, and a lower estimated loss in wages and salaries.

Holidays Act 2003 – In April 2004, significant changes to the law concerning holiday entitlements came into force. The changes included guaranteed time-and-a-half and an alternative holiday for employees who work on a public holiday, and a guaranteed three weeks of annual holidays. These changes were intended to improve workplace relations by accommodating an employee's need to spend holidays with their friends and family, and ensuring that they received enhanced earnings if they were required to work during public holidays. Later in the year, further amendments were introduced to clarify the intent of certain policies in the Act. It made clear, for instance, that an employee who calls in sick on a public holiday is not entitled to time-and-a-half pay for that day.

Parental Leave and Employment Protection Act 1987 – During the year, the Parental Leave and Employment Protection Amendment Bill was introduced to Parliament. The Bill intended to modify the Parental Leave and Employment Protection Act 1987 to expand the number of new mothers who were covered by the paid parental leave (PPL) scheme. The Bill lowered the eligibility threshold for the PPL scheme from 12-months to six-months continuous employment with their current employer, and extended the duration of PPL payments for all mothers from 12 weeks to 13 weeks. A 14-week entitlement will come into effect from 1 December 2005.

Employment Relations Act 2000 – During the year, changes to the Employment Relations Act were introduced and came into force on 1 December 2004.

These changes aim to further promote productive employment relationships. Some of the main changes include clarifying the meaning of 'good faith', clarifying the test for employer behaviour during dismissals, creating protections for employees during restructuring situations, establishing a new regime for facilitation of collective bargaining, and creating penalties for 'passing on' the conditions of a collective agreement to an individual agreement where it breaches good faith.

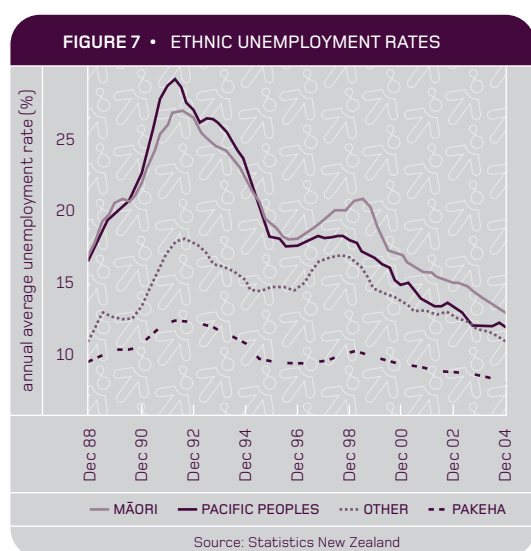
Agreement builder – In mid-February the Department of Labour launched a new online aid for employers and employees to help them draw up employment agreements. The Employment Agreement Builder indicates which clauses are legally required to be included in an agreement and also offers a range of clauses to meet the additional needs of workplaces. The Builder aims to help small businesses meet their legal obligations and develop agreements that will support productive employment relationships.

GOAL 6: IMPROVING PARTICIPATION IN EMPLOYMENT, EARNINGS AND THE QUALITY OF EMPLOYMENT FOR MĀORI

In the five years from December 1999 to December 2004, there has been a steady improvement in the labour market outcomes for Māori. Employment growth has averaged 4.6% per annum and the unemployment rate has fallen from 16.6% to 8.9% – the lowest Māori unemployment rate since data was first collected 18 years ago.

In the year to December 2004, Māori employment fell to 180,300 from 186,800 in the year to December 2003. However, the fall was largely caused by a 3.5% fall in the estimate of their working-age population. The working-age population estimate can be volatile because it is not benchmarked to Census-based projections. The rate of Māori labour force participation fell from 65.7% in the year to December 2003 to 64.6% in the year to December 2004.

In the past five years, median hourly earnings⁴ for Māori rose 14.7% from \$12.00 to \$13.76. This compares with 15.3% for European/Pakeha, 9.5% for Pacific peoples and 15.5% for 'other' ethnicities. As at June 2004, European/Pakeha had the highest median hourly earnings of the main ethnic groups (\$16.00), followed by 'other' ethnicities (\$14.68), Māori (\$13.76) and Pacific peoples (\$12.98).



GOAL 7: IMPROVING PARTICIPATION IN EMPLOYMENT, EARNINGS AND THE QUALITY OF EMPLOYMENT FOR PACIFIC PEOPLES

The five years from December 1999 to December 2004 has seen a steady improvement in the labour market outcomes for Pacific peoples. Employment growth has averaged 4.4% per annum and the unemployment rate has fallen from 13.6% to 7.4%.

In the year to December 2004, Pacific peoples' employment increased by 3.0%, or 2,600 people, lifting Pacific employment to 89,200. This is down from a peak growth rate of 13.4% in the year to December 2002.

Pacific peoples' participation rate remained steady at 61.7% between the year to December 2003 and the year to December 2004. Pacific peoples' unemployment rate edged lower to 7.4% in the year to December 2004, from 7.7% in the year to December 2003.

In the past five years, median hourly earnings⁵ for Pacific peoples rose 9.5%. This compares with 15.6% for European/Pakeha, 14.7% for Māori and 15.5% for 'other' ethnicities. As at June 2004, Pacific peoples had the lowest median hourly earnings of the main ethnic groups (\$12.98), followed by Māori (\$13.76), 'other' ethnicities (\$14.68) and European/Pakeha (\$16.00).

GOAL 8: IMPROVING PARTICIPATION IN EMPLOYMENT, EARNINGS AND THE QUALITY OF EMPLOYMENT FOR WOMEN, YOUTH, MATURE WORKERS, PEOPLE WITH DISABILITIES AND OTHER GROUPS AT RISK OF PERMANENT AND LONG-TERM UNEMPLOYMENT

FEMALE EMPLOYMENT HAS INCREASED, PARTICULARLY FULL-TIME EMPLOYMENT

The number of women in employment increased by 3.1%, or 27,900 people, in the year to December 2004. Most of this growth was driven by an increase in the number of women in full-time employment (22,800), with a small increase in those working part-time (5,100). The rate of female labour force participation has increased from 59.5% over the year to December 2003 to 59.9% in the year to December 2004. In the December 2004 quarter, the seasonally-adjusted female labour force participation reached an all-time high of 60.8%. The female unemployment rate fell to 4.4% over the year to December 2004, down from 5.0% in the year to December 2003.

Over the year to June 2004, the rise in median hourly earnings for males (4.4%) was almost

4. The New Zealand Income Survey 2004. This is an annual supplement to the Household Labour Force Survey in the June quarter. It collects data on wages and salaries, self-employment, government transfers, investment income and other transfer income.

5. *ibid.*

identical to the rise for females (4.3%) so the gap between male and female earnings was thus fairly steady. Female median hourly earnings of \$14.40 were 87.3% of male earnings of \$16.50 at June 2004, down only marginally from 87.4% at June 2003.

YOUTH EMPLOYMENT INCREASED, PARTICIPATION DECLINED AND UNEMPLOYMENT FELL

Employment amongst those aged 15-19 years increased by 3.3% in the year to December 2004, up from an increase of 0.9% in the year to December 2003. Employment amongst 20-24 year-olds also increased, rising by 2.8% in the year to December 2004. Participation rates for both age groups declined slightly in the year to December 2004, possibly reflecting an increased uptake of tertiary education. The participation rate for 15-19 year-olds fell from 53.0% in the year to December 2003 to 52.8% in the year to December 2004, while the participation rate for 20-24 year-olds declined from 73.3% to 73.1% over the same period. The unemployment rate for youth continues to fall. In the year to December 2004, the unemployment rate for those aged 15-19 years was 12.6%, down from 14.2% in the previous year, while the unemployment rate for 20-24 year-olds declined from 7.2% to 6.9%.

PARTICIPATION RATES INCREASE FOR MATURE WORKERS

There has been a significant increase in the participation rates of older workers. Employment for mature workers (50 years or over) increased by 6.7% in the year to December 2004. Better employment prospects have encouraged those of retirement age to remain in, or re-enter the labour force; in the year to December 2004 the labour force participation rate for mature workers increased to 48.6% from 47.0% in the year to December 2003.

Participation rate changes for mature workers have also been influenced by changes to the age of entitlement for New Zealand Superannuation. Between 1992 and 2001 the qualifying age was increased progressively from 60 to 65 years. The participation rate for people aged 60-64 years and 65 years and over has more than doubled from 24.3% and 5.6% respectively in the year to December 1992, to 57.5% and 11.2% in the year to December 2004.

LONG-TERM UNEMPLOYMENT CONTINUES TO FALL

The number of long-term unemployed (more than 26 weeks) fell by 6,500 in the year to December 2004 to 16,300. This is the lowest number of long-term unemployed since the year to March 1988, and equates to 23.5% of the unemployed who specified a duration in the year to December 2004.

