



EMPLOYMENT AND UNEMPLOYMENT - JUNE 2009 QUARTER

Background

- 1 This report informs you about the Household Labour Force Survey (HLFS) results for the June 2009 quarters which were released today. All figures refer to the working-age population (15 years and over) and are seasonally adjusted unless otherwise specified. Terms are defined in the appendix.

Key points

- The unemployment rate rose to 6.0% in the June 2009 quarter, its highest level since the September 2000 quarter. The number of people unemployed now stands at 138,000.
- The participation rate remained unexpectedly high indicating that people without a job still see that it is worthwhile to actively seek employment.
- Employment fell by 0.4% in the June 2009 quarter – half the expected fall. The employment decline was driven by a fall in full-time workers (down 1.1%), while part-time employment increased (up 1.3%).
- Total actual hours worked decreased by 1.9% in the June 2009 quarter. The decline in hours worked and the increase in part-time workers suggests that firms are holding on to labour by reducing hours.
- The higher participation rate appears to be driven by older people who may need to stay in the labour force given recent cost pressures, and the deterioration in retirement savings and property values.
- The continued weakening in the labour market has hit youth (15-24 year olds) hard with an annual rise in the number unemployed of 21,000 and a fall in employment of 23,300. The youth unemployment rate increased to 16.3% in the June 2009 quarter.
- Statistics New Zealand reports that New Zealand's unemployment rate is the 9th lowest of the 30 OECD nations well below the OECD average of 8.3%.
- Although the unemployment rate rose in the June 2009 quarter, New Zealand has been less affected by global events and is in a relatively better position than most other countries. This is due to factors such as having a strong labour market when the downturn began, tax cuts and large reductions in interest rates.
- The outlook for the labour market remains weak. We expect further increases in the unemployment rate over the next year, rising to around 7% by early 2010.



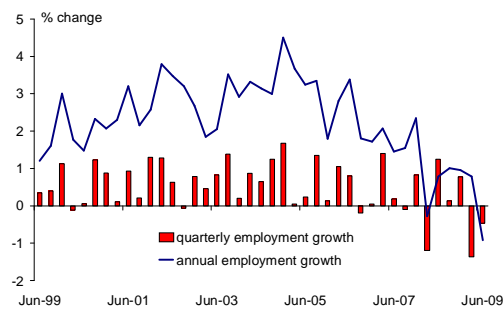
HLFS results show the labour market continues to weaken

- 2 The June 2009 quarter HLFS showed the labour market continued to weaken with the unemployment rate rising and employment falling. However, the participation rate remained at a high level indicating that people without a job still see that it is worthwhile to actively seek employment.

Firms continue to shed staff in the June 2009 quarter

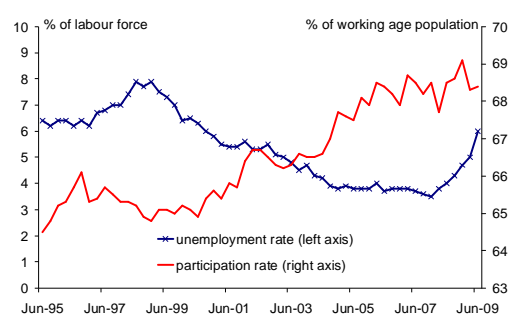
- 3 The decline in employment in the June 2009 quarter was lower than we had expected. Employment declined by 0.4% to 2,169,000 in the June 2009 quarter (Figure 1), compared with market expectations of a 0.8% fall. The drop in employment was driven by a decline in full-time workers, down 1.1%, and was partially offset by an increase of 1.3% in part-time workers.

Fig 1: Employment growth



Source: HLFS, Statistics New Zealand

Fig 2: Unemployment & participation rates



Source: HLFS, Statistics New Zealand

...and labour demand remains weak

- 4 Total actual hours worked decreased by 1.9% in the June 2009 quarter. The decline in hours worked and the increase in part-time workers suggests that firms are holding on to labour by reducing hours.

...and the unemployment rate continues to rise

- 5 The unemployment rate showed a significant increase over the quarter, rising from 5.0% to 6.0% in the June 2009 quarter. This is the highest level since September 2000. This is the largest quarterly increase since the September 1988 quarter. The increase in the unemployment rate in the June 2009 quarter was driven mostly by females. The female unemployment rate rose from 4.8% to 6.3%, while the male rate increased from 5.1% to 5.7%.
- 6 The participation rate remained high over the quarter. In other words people have not withdrawn from the labour market causing the unemployment rate to be higher than anticipated.
- 7 The number of people unemployed now stands at 138,000. The rise in unemployment was concentrated in short-term unemployment (26 weeks or less), as expected in a weakening labour market.



The participation rate increased against all expectations of a fall

- 8 The labour force participation rate increased to 68.4% in the June 2009 quarter, up slightly from the previous quarter of 68.3%. The unexpected rise in the participation rate was driven by a marked increase in the male participation rate to 75.2%, while female participation declined slightly to 62.1%.
- 9 The increase in labour force participation rate was driven by a rise in the 45-49, 50-54 and 60-64 year age groups. Recent cost pressures and also that fact that many older workers' savings have been affected in recent months may have caused workers to remain in the labour force causing the overall participation rate to rise.

New Zealand is holding up better than most other OECD countries

- 10 Despite the large increase in the unemployment rate, the New Zealand labour market is holding up better than most other countries. The unemployment rate still remains lower than the average of the OECD of 8.3% and is the 9th lowest of the 30 OECD nations. Norway has the lowest unemployment rate at 3.1%, followed by The Netherlands at 3.2%. South Korea and Switzerland are also below 4%. The Australian Bureau of Statistics today reported that Australia's unemployment rate remained steady at 5.8% in July 2009.
- 11 New Zealand has been less affected by global events and is in a relatively better position than most other countries. This is due to factors such as having a strong labour market position when the downturn began, tax cuts and large reductions in interest rates.

Youth and Pacific workers particularly affected by downturn

- 12 Youth are often the most at risk during a recession and their unemployment rate is expected to continue to rise further over the next year. This can be attributed to their low skill and experience levels, but also because youth (those aged 15-24) are two to three times more likely to be unemployed than adults. This can be attributed to factors such as their low skill and experience levels.
- 13 The HLFS showed a large fall in youth employment from a year earlier. Employment for those aged 15-24 dropped by 23,300, or 6.8%, in the year to June 2009. This was driven by a 10.2% drop in employed females.
- 14 The unemployment rate in the youth age group rose 5.6 percentage points to 16.3%, while the participation rate declined slightly over the year. This is consistent with Ministry of Social Development data showing youth aged 18-24 accounted for an increased share of unemployment benefit (UB) recipients, up from 21% of UB in June 2008 recipients to 33% in June 2009.
- 15 While the youth participation rate declined over the year, participation in formal study increased 12.0% percent over the year.
- 16 Māori and Pacific workers have also been affected by the downturn. These groups have a greater proportion of youth relative to Europeans and also tend to be disproportionately employed in lower-skilled occupations, which are often more affected in a recession.

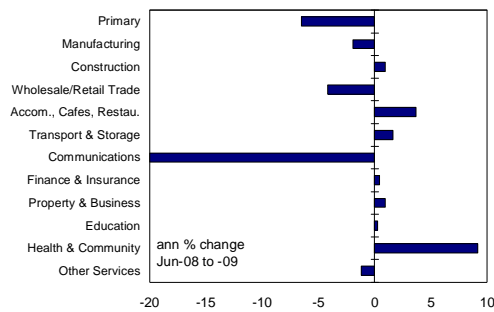


- 17 The June 2009 quarter saw large increases in the unemployment rates for Māori¹ (up from 7.3% to 12.0% a year earlier), Pacific peoples (up to 12.8% from 6.7% a year earlier), and those in the European/Māori² ethnic group (up to 10.3% from 6.7%). The unemployment rate for the Māori only group was up to 12.6% from 8.1% a year earlier and Europeans up to 4.0% from 2.8%.

Employment growth has slowed across a range of industries over the past year

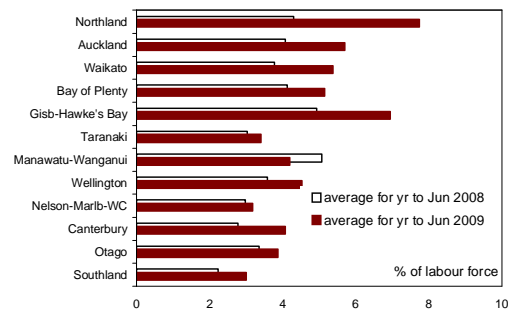
- 18 Compared to a year ago, there have been decreases in employment in wholesale & retail trade (down 16,000), agriculture, forestry & fishing (down 9,800), communication services (down 7,600), manufacturing (down 5,200) and electricity, gas & water supply (down 1,800) (Figure 3).
- 19 These losses have been offset by annual increases in employment in health & community services (up 18,800), accommodation, cafes & restaurants (up 3,800), property & business services (up 2,400), and construction (up 1,700).

Fig 3: Employment growth by industry



Source: HLFS, Statistics New Zealand

Fig 4: Unemployment rates by region



Source: HLFS, Statistics New Zealand

Unemployment rises across most regions

- 20 Most regions experienced a rise in their unemployment with Northern regions particular affected. In Auckland, the unemployment rate was 6.6% up from 4.3% a year earlier while in Waikato, the rate was 6.8% up from 4.1% a year earlier. In Canterbury, the unemployment rate rose to 4.8% from 3.2% a year earlier.

Summary

- 21 The HLFS showed that the New Zealand labour market continued to deteriorate over the June 2009 quarter. This is in line with weak labour market indicators, rapidly slowing wage growth and negative employment intentions.
- 22 Despite the sharp increase in the unemployment rate, today's HLFS results showed that employers are still trying to hang on to employees as best they can, and people without a job still see that it is worthwhile to actively seek one.

¹ Includes all persons who identify as Māori
² People who identify as both European and Māori



- 23 The higher than anticipated rise in the unemployment rate was driven by the fact that the participation rate rose slightly. The slightly higher participation rate could still be reflecting the fact that people feel a need to stay in or enter the labour force given recently high cost pressures and the deterioration in retirement savings and property values.

Outlook continues to be weak

- 24 We expect that the deterioration in the economy will continue to filter through to the labour market, causing the outlook to remain weak over the next few quarters. Recent labour market indicators from the National Bank Business Outlook and the Quarterly Survey of Business Opinion show that firms employment intentions are still in negative territory, pointing to further falls in employment.
- 25 Economic activity is expected to remain weak over the next year with further falls in activity likely over the June 2009 quarters and possibly September 2009 quarters. However, a range of recently released indicators point to signs of stabilisation within the economy, supporting the view that growth will resume in late 2009. That said, the recovery in the labour market will lag the improvement seen in the wider economy. We expect that employment will continue to fall over the coming quarters, causing the unemployment rate to peak in the middle of next year. Labour force participation is expected to fall in line with employment and will temper the extent of the rise in the unemployment rate. The latest NZIER Consensus Forecasts expect the unemployment rate to be 7.2% in March 2010.



APPENDIX: TERMS AND DEFINITIONS

The following is a list of the main terms that we use to describe the labour market, together with definitions of these terms. The table below illustrates how the terms relate to each other.

Working-age population: usually resident non-institutionalised civilian population aged 15 years and over.

Labour force: number of people who are either in work or are available and actively seeking work (that is, employed or unemployed as defined below).

Employment: number of people in work of one hour or more per week.

Full-time/part-time employment: full-time workers usually work 30 hours or more per week, and part-time workers usually work less than 30 hours per week.

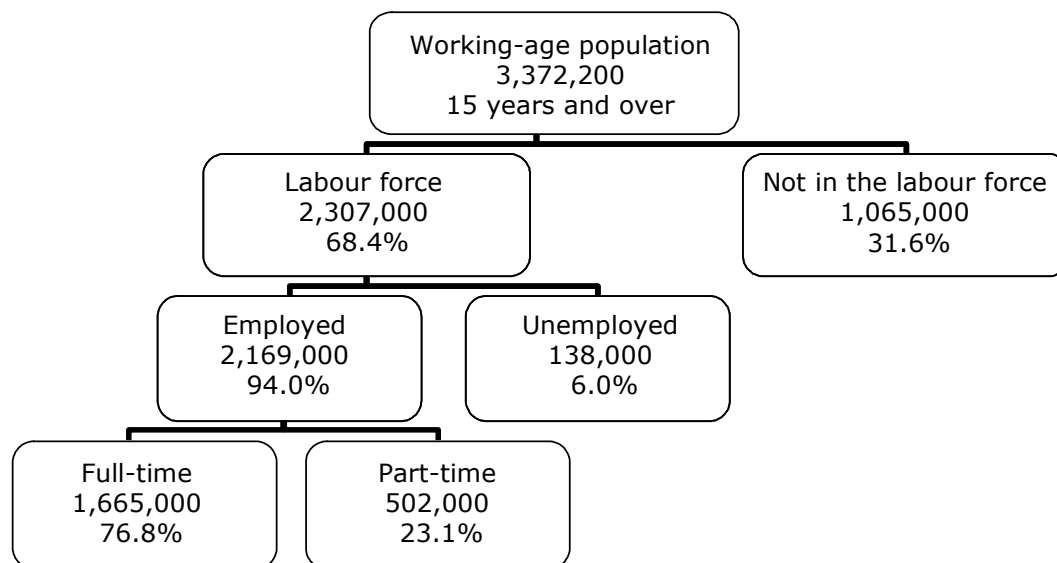
Unemployment: number of people who are not in work, but who are available for and actively seeking work.

Not in the labour force: number of people who are not in work and are either not available or not actively seeking work (that is, they are not employed and not unemployed). For example, in the year to June 2009, 46% of these people were retired, 20% were studying, 16% were at home with children, and 12% were at home not looking after children.

Labour force participation rate: proportion of the working-age population that is in the labour force (68.4%).

Unemployment rate: proportion of the labour force that is unemployed (6.0%).

Employment rate: proportion of the working-age population that is employed (64.3%).



Note: figures may not sum due to rounding.