



## EMPLOYMENT AND UNEMPLOYMENT - MARCH 2010 QUARTER

### Background

- 1 This report informs you about the Household Labour Force Survey (HLFS) results for the March 2010 quarter which were released on 6 May 2010.

### Key points

- The March 2010 quarter HLFS results were surprising and are out of line with what we and other commentators were expecting. The results show that the unemployment rate has fallen to 6.0% and employment has increased by 1.0%. More detailed data becomes available next week and we will be analysing this information further.
- The fall in the unemployment rate in the March 2010 quarter is the largest quarterly fall since the survey began in 1986.
- The large fall in the unemployment rate was driven by a decline in male unemployment (down 19.0%), while female unemployment also declined over the quarter (down 10.6%).
- The youth unemployment rate declined from 18.4% over the December 2009 quarter to 17.2% in the March 2010 quarter. The unemployment rate for Māori declined over the quarter to reach 13.6%.
- The large rise in employment was driven by a marked rise in male full-time employment (up 1.9%). Female employment also increased over the quarter (up 0.6%).
- Employment in wholesale trade and public administration & safety showed marked increases over the year. Employment in manufacturing and construction is up from the previous quarter.
- Hours worked increased by 1.7%, indicating that firms are increasing the hours of their existing employees as well as creating a large number of new jobs.
- New Zealand now has the 10<sup>th</sup> lowest unemployment rate of the 30 OECD countries.
- Recent volatility in results from the HLFS suggests that the current results may not be sustainable in the short term. We expect that there may well be an increase in the rate of unemployment in the June 2010 quarter which is scheduled for release on 5 August 2010. However, we do not expect it to reach the 7.1% recorded in the December 2009 quarter.
- We expect that the unemployment rate will remain elevated until 2011.



### HLFS results show the labour market appears to have turned

- The March 2010 quarter HLFS shows that the unemployment rate has fallen to 6.0% and employment has increased by 1.0%.

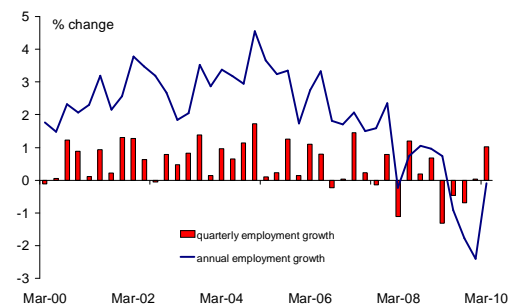
### Businesses have started to employ workers again

- Employment increased by 22,000 (1.0%) to 2,177,000 in the March 2010 quarter (*Figure 1*) – following from a revised 0.1% increase in the December 2009 quarter. The rise in the December 2009 quarter was the first increase in employment since the end of 2008. The large rise in employment over the March 2010 quarter was driven by a marked rise in male full-time employment (up 1.9%). Female employment also increased over the quarter (up 0.6%).
- The results from the HLFS are in line with the results from the Quarterly Employment Survey released on May 4, which showed a 1.1% increase in filled jobs. The Department’s Jobs Online indicators showed that the total number of advertised job vacancies increased by 9.5% in the three months to March 2010. Strong results have also been seen in business confidence over recent months and this appears to now have started to translate through to the labour market.

### Firms meet increased demand by extending hours worked

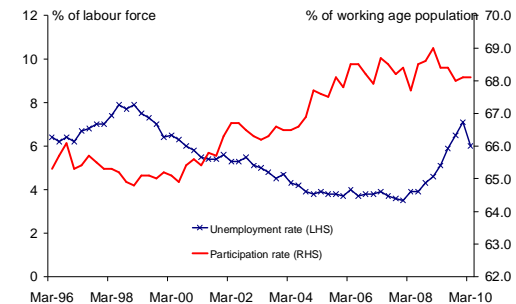
- Total hours worked recorded a 1.7% growth over the March 2010 quarter, following a revised increase of 0.1% in the December 2009 quarter. The positive quarterly increase in the December 2009 quarter was the first rise since the June 2008 quarter.

Fig 1: Employment growth



Source: HLFS, Statistics New Zealand

Fig 2: Unemployment & participation rate



Source: HLFS, Statistics New Zealand

### The unemployment rate declined by 1.1 percentage points to 6.0% - the largest quarterly decline since the survey began

- The unemployment rate fell to 6.0% over the March 2010 quarter, down from a revised rate of 7.1 % in the December 2009 quarter. The fall in the March 2010 quarter is the largest quarterly fall since the survey began in 1986.



- 7 The strong fall in the unemployment rate was driven by a large fall in male unemployment (down 19.0% from 88,000 in the December 2009 quarter), while female unemployment also declined over the quarter (down 10.6% from 77,000).
- 8 The number of people unemployed now stands at 140,000 down from 165,000 from in the previous quarter. This is the first fall in the level of unemployment since December 2007.

#### **The participation rate remained at 68.1%**

- 9 The labour force participation rate (people in employment or seeking work as share of the working age population) remained at 68.1% in the March 2010 quarter (*Figure 2*). Positive economic and labour market conditions over the March 2010 quarter have meant that the labour force participation rate has remained high over the quarter.
- 10 The male participation rate remained flat over the March 2010 quarter at 74.4%, while the female participation rate declined slightly (down 0.1 percentage points) to reach 62.1% in the March 2010 quarter.

#### **Youth unemployment rate declines to 17.2%**

- 11 Labour market conditions have improved for youth (those aged 15-24 years) over the March 2010 quarter. While the employment of youth fell by 4.3% over the year, their unemployment rate improved to 17.2% in the March 2010 quarter from 18.4% in the December 2009 quarter.
- 12 The unemployment rate for 15-19 year olds was 25.2% in the March 2010 quarter. This is down from 26.5% in the December 2009 quarter but is up strongly from 19.1% in the March 2009 quarter. Employment for this group was down 11.1% over the past year.
- 13 The March 2010 quarter results showed that the unemployment rate for 20-24 year olds was 11.4%. This is down from 12.2% in the December 2009 quarter and 11.5% in the March 2009 quarter. Employment for this age group has increased by 0.4% for 20-24 year olds over the last year.
- 14 The unemployment rate for Pacific youth (15-24) was 26.7% in the March 2010 quarter. This is down from 29.8% in the December 2009 quarter and 27.6% in the March 2009 quarter.
- 15 The March 2010 quarter also showed that the proportion of youth not in employment, education or training (NEET) has also begun to stabilise over the quarter, increasing by only 0.3 percentage points to 10.8% in the year to March 2010. There are signs that the number of youth in training has begun to increase.



### **Labour market conditions for Māori and Pacific workers have improved**

- 16 While labour market conditions deteriorated over the last year, results have improved since December 2009. In March 2009 the Māori and Pacific unemployment rates were 11.2% and 13.1% respectively. These rates grew to 14.8% and 14.3% in the December 2009 quarter and have now fallen to 13.6% and 13.3% in the March 2010 quarter. Drawing conclusions from a single quarterly change needs to be done carefully, however this recent employment growth is different to the pattern of declining employment over the last two years.
- 17 It appears that the improving outturns for Pacific people may be due to employment growth in Auckland, and particularly the rebound in manufacturing employment. Employment for Pacific peoples is concentrated in this sector.

### **Wholesale trade and public administration & safety showed large increases in employment over the year**

- 18 Wholesale trade<sup>1</sup> showed a marked improvement over the last year, in line with an improving economy, increasing by 16,200 workers. Public administration<sup>2</sup> and safety increased by 11,900 over the year.
- 19 The March 2010 quarter results showed that compared to a year ago hospitality employment fell by 11,800, and construction shed 8,700 workers. Manufacturing declined by 7,000 over the year (*Figure 3*).
- 20 However, employment intentions for the manufacturing and construction industries have been very positive in recent business surveys, and employment in both these industries has risen in the March 2010 quarter.

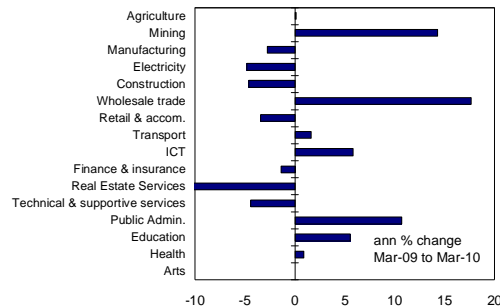
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<sup>1</sup> Wholesale trade includes activities such as the bulk purchase and on-selling of goods destined for retail store chains.

<sup>2</sup> Public Administration and Safety includes units mainly engaged in central or local government legislative, executive or judicial activities such as setting policy, overseeing government programmes. It includes police forces, emergency, correctional and border control services.

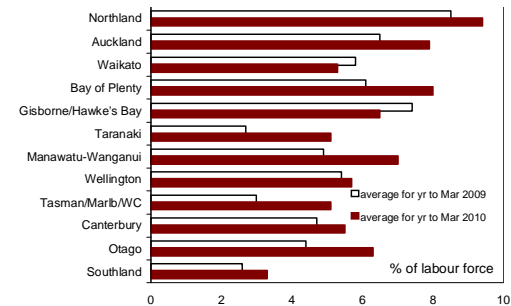


Fig 3: Employment growth by industry



Source: HLFS, Statistics New Zealand

Fig 4: Unemployment rates by region



Source: HLFS, Statistics New Zealand

**Waikato and Gisborne/Hawkes Bay showed declines in the unemployment rate over the year**

- 21 While the unemployment rates have risen in most regions over the past year (unadjusted figures), the rates in Waikato and Gisborne/Hawkes Bay have dropped to 5.3% (from 5.8%) and 6.5% (from 7.4%) respectively (Figure 4). The decline in unemployment rates in these regions were driven partly by a fall in people in unemployment and a decline in the participation rate.
- 22 The regions that recorded the largest increases over the year were Taranaki, Manawatu-Wanganui and Tasman/Nelson/Marlborough/West Coast. While these rates grew over the year, the unemployment rates for Taranaki and Tasman/Nelson/Marlborough/West Coast were below the national average.

**The improvement in the unemployment rate has moved New Zealand up the OECD rankings**

- 23 The fall in the unemployment rate to 6.0% over the March 2010 quarter has meant that New Zealand now has the 10<sup>th</sup> lowest unemployment rate from a total of 30 OECD countries, an improvement from 12<sup>th</sup> lowest in the previous quarter. The average unemployment rate for the OECD remained at 8.6% over the quarter.
- 24 Norway and the Netherlands have the lowest unemployment rates at 3.3% and 4.0% respectively. The unemployment rate for Australia for the March 2010 quarter was 5.3%.

**Summary**

- 25 The March 2010 quarter HLFS results were surprising and are out of line with what we and other commentators were expecting.
- 26 Recent volatility in results from the HLFS suggests that the current results may not be sustainable in the short term. We expect that there may well be some increase



in the rate of unemployment in the June 2010 quarter release scheduled for 5 August 2010, although we do not expect it to grow to previous rates.

- 27 Despite the unemployment rate declining to 6.0% in the March quarter, we expect that it will remain elevated until 2011.

**Structure of the Labour Market: March 2010 quarter**  
**(seasonally adjusted)**

