

# MĀORI LABOUR MARKET OUTCOMES

➤ OCTOBER 2007

## Background

- 1 This report analyses Māori labour market outcomes with a focus on annual and five-year changes for Māori up to June 2007. Data are sourced primarily from the quarterly Household Labour Force Survey (HLFS) conducted by Statistics New Zealand and are averaged across a year to reduce sample errors and seasonal variation, unless otherwise specified. Terms (including the HLFS definition of Māori ethnicity) are defined in Appendix I.

## Key indicators

- 2 Māori have performed very strongly in the labour market over the past year and have posted strong gains in employment while achieving record high labour force participation and record low unemployment. As a result, they have further narrowed labour market disparities with other ethnic groups. Key labour market indicators are shown in table 1 below.
- 3 The number of Māori employed grew by 8.7% in the year to June 2007, in contrast to the more modest employment growth of the much larger non-Māori<sup>1</sup> population (0.8%). Indeed, employment growth among Māori has accounted for half of total growth in employment in the past year (16,400 out of 32,500 people overall) even though Māori make up around 10% of the total working age population. This underlines the importance of sustaining the contribution that Māori are making towards increasing the labour supply in what remains a very tight labour market.
- 4 Whilst it has been especially strong in the past year, the expansion of employment for Māori has also exceeded the economy-wide average over the past five years, with Māori employment growing by 17.3% over this period compared with overall employment growth of 13.3%. In the past year Māori have strengthened their share of employment in some of the economic sectors expected to perform strongly over the next few years (in particular among agriculture).
- 5 Māori employment growth since 2002 has been encouraged by strong economic growth (real GDP has increased at an annual average of 3.3% over the past five years). Māori have also benefited from growth in their working age population (up 8.8% in this period) as well as through having a relatively young age profile. For instance, 28.3% of the Māori working age population in the year to June 2007 were aged 15-24 compared to 17.5% of non-Māori and just 15.3% of Europeans. While a young age profile means that Māori are well positioned to increase numbers in the labour force, employment growth has also occurred due to an increased labour force participation rate, as well as a reduction in the number who are unemployed.
- 6 The labour force participation rate for Māori reached 67.6% for the year to June 2007, the highest in the 21-year history of the HLFS. This is up from 67.3% for the year to June 2006 and up from 65.6% five years earlier. However, it remains below the non-Māori participation rate (68.5%) with the gap between the two closing only slightly (0.1 percentage points) over the past year.
- 7 The unemployment rate for Māori has fallen to 7.6% for the year to June 2007, the lowest rate recorded in the history of the HLFS, although it remains well above the overall annual average unemployment rate of 3.7%. The number of Māori unemployed fell over the past year which is in contrast to a slight increase in the number of non-Māori unemployed. Over a longer five-year period, the number of unemployed Māori has fallen more quickly than the overall number of unemployed people (-27.1% compared with -20.5%).

1. The Non-Māori definition used in this report includes European, Pacific peoples and the fast-growing "Other" ethnic group. In terms of labour market outcomes, Pacific people and "Other" ethnic groups are more similar to Māori than European.



- 8 By industry, the strongest percentage employment growth for Māori over this period has been in construction (84.4%). All four broad occupation groups have experienced an increase in Māori employment. However, Māori employment growth relative to overall employment growth has been strongest in the two middle-skilled occupation groups, skilled occupations and semi-skilled occupations. These include trades, service workers and machinery operators.

**Table 1: Snapshot of Māori labour market outcomes, years to June 2002 & 2007**

Summary Table	2002 ('000)	2007 ('000)	2002–2007 change ('000)	2002–2007 change (%)	2002–2007 all ethnic groups change (%)
<b>Labour force status</b>					
Employed	174.7	204.9	30.2	17.3	13.3
Unemployment	23.2	16.9	-6.3	-27.1	-20.5
Labour force	197.9	221.7	23.9	12.1	11.5
Working-age population	301.7	328.2	26.6	8.8	8.4
<b>Proportional measures</b>					
Employment rate (%)	57.9	62.4	-	4.5 <sup>a</sup>	2.8 <sup>a</sup>
Labour force participation rate (%)	65.6	67.6	-	2.0 <sup>a</sup>	1.9 <sup>a</sup>
Unemployment rate (%)	11.7	7.6	-	-4.1 <sup>a</sup>	-1.5 <sup>a</sup>
<b>Industry employment</b>					
Primary	17.4	16.9	-0.6	-3.2	-6.1
Manufacturing (incl utilities)	33.7	33.8	0.11	0.3	-7.6
Construction	11.4	20.9	9.6	84.8	62.6
Trade & accommodation	34.6	40.2	5.6	16.2	13.1
Other services	26.5	33.0	6.5	24.4	18.2
Personal services	49.9	57.8	7.9	15.8	16.4
<b>Occupational employment</b>					
Higher-skilled occupations	30.0	35.3	5.3	17.5	22.2
Skilled occupations	30.7	40.2	9.5	30.8	17.2
Semi-skilled occupations	91.9	105.9	14.1	15.3	6.9
Lower skilled occupations	21.8	22.4	0.6	2.6	0.9

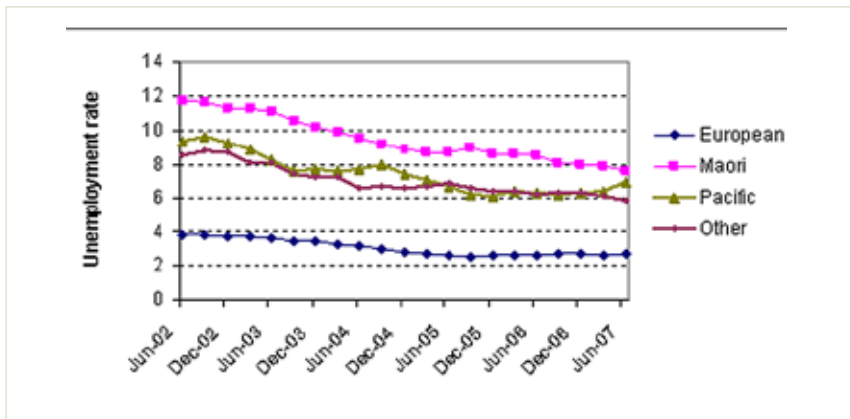
Source: Household Labour Force Survey Statistics New Zealand.

Notes: Figures may not sum to total due to rounding. <sup>a</sup> – percentage point change rather than percentage change.

## Unemployment

- 9 Māori unemployment has fallen more quickly than overall unemployment over the past five years (-27.1% compared with -20.5%) which means Māori are decreasing their share of the unemployed. Unemployment rate trends for the ethnic groups included in the HLFS are shown in figure 1. The Māori unemployment rate now nearly matches the unemployment rate for Pacific peoples which currently stands at 6.9%, although it is still well above the European unemployment rate of 2.7%. The Māori unemployment rate has been higher than that for Pacific peoples since June 1995, and has been higher than the rate for European and 'Other' ethnic groups since the HLFS began in 1986.
- 10 Māori remain over-represented among the unemployed. Their share of total unemployment in the year to June 2007 (20.5%) remains twice as high as the Māori share of the total working age population (10.1%). This fact points to continuing disadvantage which is related to standard indicators of unemployment likelihood such as a younger age profile, education and location.

**Figure 1: Unemployment rate trends for Māori and other ethnic groups, June 2002 to June 2007**

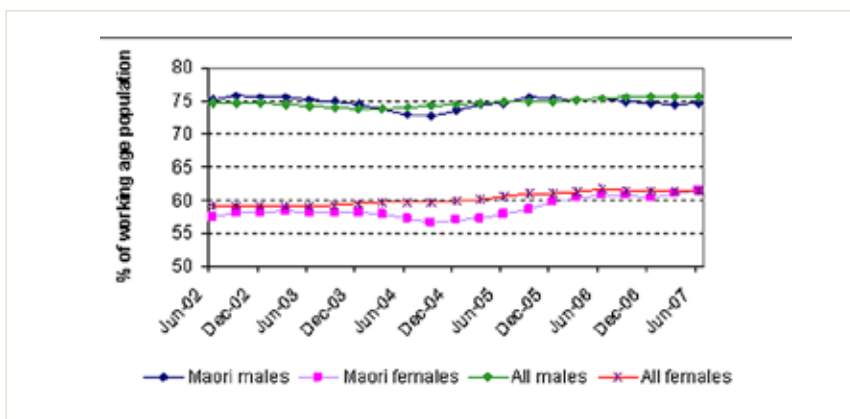


Source: Household Labour Force Survey, Statistics New Zealand.

## Gender

- 11 Over the last 12 months, the unemployment rate for Māori men fell from 8.1% to 6.5% while the unemployment rate for women declined only slightly from 8.9% to 8.8%. This may partly be due to the strong demand for labour in male-oriented sectors like construction, trades and agriculture.
- 12 This widening gap in unemployment rates between genders also partly represents strong growth in the number of Māori women currently seeking work. In the year to June 2007, the participation rate for women rose substantially from 60.7% to a new record of 61.5% while, in contrast, the participation rate for men fell from 75.3% to 74.6%. This means that growth in the female labour force has exceeded growth in their overall working age population, whereas the growth in the male labour force has lagged behind their population growth.
- 13 Participation rate trends over the past five years for Māori men and women (and all men and women as well) are shown in figure 2. Participation rates for both genders dipped in early 2004, before starting to increase at the end of that year. While both Māori men and women are less likely to participate than the overall population, the Māori gender gap in participation is now less than the national average (13.1% compared to 14.1% overall). The labour force participation rate for Māori women has risen faster than the overall women's rate, however the rate for Māori men has eased and fallen below the overall men's participation rate since December 2005.

**Figure 2: Labour Force Participation rates for Māori and all ethnic groups by gender, June 2002 to June 2007**



Source: Household Labour Force Survey, Statistics New Zealand.

## Age

- 14 The profile of the Māori working age population differs in overall age structure from the non-Māori working age population, with a far higher proportion of Māori people in the younger and prime aged working age groups. For instance, 28% of the Māori working age population are aged under 25 compared with just 18% of non-Māori. The inverse is true for older age groups, with just 31% of the Māori population aged 45+ compared with nearly half (47%) of all non-Māori. These differences are shown in table 2 below.

**Table 2: Age distribution and participation rate differences between the Māori working age population and non-Māori working age population, June 2007 year**

Age band	Māori			Non-Māori		
	Labour force (%)	Working age population (%)	Labour force participation rate (%)	Labour force (%)	Working age population (%)	Labour force participation rate (%)
15-24	24%	28%	56.5%	17%	18%	66.4%
25-44	47%	41%	78.0%	43%	35%	83.9%
45+	30%	31%	64.0%	40%	47%	57.4%
Total	100%	100%	67.6%	100%	100%	68.5%

Source: Household Labour Force Survey, Statistics New Zealand

Note: Figures may not sum to total due to rounding

- 15 The younger age structure of the Māori population might be expected to lead to higher labour force participation as people of prime working age are more likely to be working while older age groups are more likely to be retired. However, these impacts are reduced due to the considerably lower labour force participation rate for Māori youth (56.5% for Māori 15-24 year-olds in the labour force compared with 66.4% of non-Māori). Māori youth not only experience relatively low participation rates but also relatively high unemployment rates at 16.8% in the year to June 2007, although this is down from 18.3% one year earlier.
- 16 Labour market outcomes for Māori youth need to consider not only employment but also education and training. Detailed information about how young Māori are performing in both work and education can be found in the Department of Labour report "Youth Labour Market Outcomes".
- 17 Having a younger age profile suggests there is greater potential for gains to be made for Māori from investment in tertiary-education. On the other hand, it is one factor that contributes to Māori workers being on average less experienced and lower paid.

## Industries and occupations

- 18 Māori are over-represented in the export-focused industries (agriculture, forestry, fishing, manufacturing) but the proportion of all Māori employed in these industries has fallen from 29.1% to 24.5% in the past five years. These industries are characterised by a long-term employment decline and also seasonal and cyclical employment patterns over time, meaning employment numbers can change relatively quickly. Economic prospects in agriculture have more recently improved, and Māori employment in this industry grew by 2,900 people in the past year.
- 19 Māori employment growth has been strongest in construction over the past five years. The percentage of all Māori employed in construction has risen from 6.5% in June 2002 to 10.2% by June 2007. They are now over-represented in this industry (which employed 8.8% of all New Zealanders in the year to June 2007). Construction has historically been a volatile and very labour intensive industry and therefore, like some of the export focussed industries, employment in this industry may be vulnerable to future downturns.
- 20 Māori workers have broadly maintained their share of employment in most remaining industries such as trade & accommodation, business services and personal and other services. These industries employ the bulk of the workforce and have enjoyed steady to above average growth over the past five years. However, Māori do not appear to be entering the small but fast-growing finance and insurance industry. During the past five years this industry has experienced a 30% growth in total employment, but there has been a 5.4% decline in Māori employment in this industry and consequently their share of employment has fallen. In education, Māori employment growth has also lagged behind total employment growth and so their share of employment has fallen.
- 21 Māori remain over-represented in the lower skilled occupations and under-represented in the higher skilled occupations. Over the past five years most of the increase in Māori employment has been in the two medium skilled categories, the skilled and semi-skilled occupation groups, which cover a large cluster of occupations such as technicians, trades, and sales and service workers. Whilst they have increased their share of employment in these two categories, the proportion of Māori employed in either highly skilled jobs (such as managers and professionals) or lower skilled jobs (such as cleaners, labourers and caretakers) has remained relatively unchanged over the last five years.

- 22 A prominent feature of Māori occupational growth over the past five years has been the growth in trades workers, which has increased by 61.5% (7,800 people) between the year to June 2002 and June 2007. This growth far exceeds total growth in trades workers of 22.9%, meaning that an increasing proportion of trades workers are Māori. Most trades workers are in the building sector so it is likely that increasing numbers of skilled Māori are now working in the rapidly expanded construction sector. Shortages of trades workers have previously been identified as a key constraint in this sector, and therefore Māori play an increasingly important role in alleviating skill shortages in construction.
- 23 Looking ahead, the latest New Zealand Institute of Economic Research (NZIER) predictions suggest agriculture will be one of the best performing industries over the next five years (along with two much smaller sectors, communications services and machinery & equipment manufacturing). Agricultural GDP growth is forecast at 3.4% per annum (annual average 2007-2012)<sup>2</sup>. This is likely to be spearheaded by growth in the dairy industry but meat (lamb and beef) is also expected to benefit from growing demand and a weakening exchange rate. Māori employment in agriculture began to pick up in 2006 following a sharp decline in 2005, and grew by a robust 21.6% over the past year. If Māori employment growth in this industry continues, then Māori in a number of more economically constrained rural areas will be well placed to benefit from the expected upsurge that develops in agriculture over the next five years.
- 24 In general, Māori employment growth has been strong across most industries with a few notable exceptions. Relatively strong employment growth in the skilled and semi-skilled occupation groups provides some evidence of a structural shift towards more sustainable, higher paid forms of employment for Māori, although a relatively high share remain employed in lower skilled, lesser paid occupations.

## Wage growth

- 25 Wage growth for Māori was weak in the year to June 2007, increasing by 1.6% which was well below the economy-wide growth in wages (6.8%). This growth is in sharp contrast to the two previous years when Māori wage growth exceeded the economy-wide average. However, it should be noted that year on year changes in average hourly earnings tend to be volatile when broken down by ethnicity. In addition, the high proportion of new entrants to the labour market in the past year (with Māori employment growing by 8.7%) may also have been a factor in limiting wage growth in the short-term.
- 26 Looking over a longer five-year period, Māori average hourly earnings have still lagged behind the economy-wide average but by a much smaller margin. Māori wages rose by an average of 4.2% per annum between June 2002 and June 2007, from \$14.33 to \$17.58 (see table 3). Over the same period, economy-wide average hourly earnings grew by 5.1% on average per annum from \$16.71 to \$21.41. Lower wage growth among Māori partly reflects the continuing relatively high share of Māori in low-skilled, lesser paid occupations.

**Table 3: Average hourly wage rates for Māori**

Age band	2002 (\$/h)	2007 (\$/h)	2002-2007 change (\$/h)	Average per annum increase 2002-2007
Māori	14.33	17.58	3.25	4.2%
Economy Wide	16.71	21.41	4.70	5.1%

Source: New Zealand Income Survey, Statistics New Zealand.

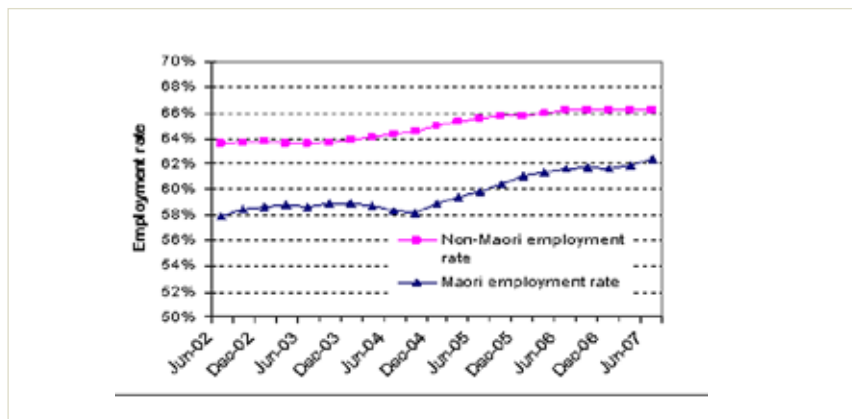
## Reducing Disparities

- 27 Considerable labour market disparities have been recorded between Māori and non-Māori since the beginning of the HLFS. Māori are more likely to be in low or semi-skilled work, unemployed and not in the labour force. This observation is related to education, age profile and location, which can be determinants of unemployment likelihood. However, disparities are continuing to narrow.
- 28 The gap between Māori and non-Māori unemployment rates continued to shrink over the last year, from 5.3 percentage points in June 2006 (8.5% for Māori compared to 3.2% for non-Māori) to 4.3 percentage points in June 2007 (7.6% for Māori compared to 3.3% for non-Māori). The narrowing gap is mainly due to a declining Māori unemployment rate contrasting with a static European unemployment rate. The European rate has remained

between 2.6% and 2.7% for the past two years which suggests it may have reached a natural limit (the “frictional” level occurring when people are only temporarily unemployed while moving between jobs). If so, a continuing tight labour market could result in further falls in Māori unemployment.

- 29 The difference between labour force participation rates has also reduced, with Māori at 67.6% and non-Māori only slightly higher at 68.5% in June 2007. Māori participation rates have been below non-Māori participation rates since 1987 which may reflect Māori being discouraged following the economic restructuring that began at around that period. There will be strong economic gains for Māori individuals and whanau if the Māori participation rate continues to rise towards parity with non-Māori participation rates and if these new labour market participants have opportunities to increase their work skills.
- 30 A useful aggregate measure of disparities is the employment rate, combining changes in employment, unemployment and the participation rate to provide an overall yardstick of relative progress. This measure shows a slow but steady narrowing between the two groups to 3.9 percentage points by June 2007 (62.4% for Māori compared to 66.3% for non-Māori) (see figure 3). This gap is the smallest since the HLFS began in 1986, and reflects the strong gains made in Māori employment over the past three years.

**Figure 3: Employment rate trends for Māori and non-Māori, June 2002 to June 2007**



Source: Household Labour Force Survey, Statistics New Zealand

- 31 According to these measures, disparities in Māori labour market outcomes have generally declined. The long-term narrowing in the employment rate between Māori and non-Māori suggests a convergence in employment prospects is occurring between the two groups, although recent trends may partly reflect currently favourable demand for labour in the cyclical construction and primary industries.

#### Conclusion

- 32 Māori have generally achieved positive labour market outcomes over the past year, and have posted strong gains in employment while the gap between Māori and non-Māori has continued to narrow across most key labour market indicators. The unemployment rate for Māori fell to a record low of 7.6% in the year to June 2007 while at the same time the labour force participation rate for Māori reached a record high of 67.6%. Māori contributed to around half of all employment growth over the past year, which underlines the important contribution that can be made by better matching their skills to higher skilled and higher wage jobs.

## Appendix I: Labour Market Terms and Definitions

The main terms from the Household Labour Force Survey (HLFS) that we use in this report are provided below:

**Working-age population:** the number of usually resident non-institutionalised civilians aged 15 years and over. All labour market figures relate to those aged 15 years and over. In respect to the older population, it is useful to note that the following institutions are excluded from the HLFS working-age population estimates: homes for the elderly, retirement homes, public or private hospitals, and convalescent homes.

**Employment:** the number of people in the working-age population who work 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 fewer than 30 hours per week.

**Unemployment:** the number of people in the working-age population who are not in work, but who are available for and actively seeking work.

**Labour force:** the number of people in the working-age population who are either in work or are available and actively seeking work (that is, employed or unemployed as defined above).

**Not in the labour force:** the number of people in the working-age population who are not in work and are either not available or not actively seeking work (i.e. they are not employed and not unemployed). For example, people who are retired, studying, or at home looking after children.

**Labour force participation rate:** the proportion of the working-age population in the labour force.

**Unemployment rate:** the proportion of the labour force that is unemployed.

**Employment rate:** the proportion of the working-age population that is employed.

**Ethnicity:** ethnicity is self-perceived and people can belong to more than one ethnic group. In the HLFS, people with multiple responses to the ethnicity question are assigned to one ethnic group using this prioritisation: Māori; Pacific peoples; Other ethnic groups; European.