



22 March 2007

PACIFIC PEOPLES LABOUR MARKET OUTCOMES – MARCH 2007

Background

- 1 This is the second annual report on Pacific peoples labour market outcomes. It focuses on changes for Pacific peoples in the past five years. Data are from the quarterly Household Labour Force Survey (HLFS) from Statistics New Zealand and are averaged across a year to reduce sample errors and seasonality, unless otherwise specified. Terms are defined in Appendix I.

Key indicators

- 2 Robust economic growth in New Zealand has contributed to an improved position of Pacific peoples¹ in the New Zealand labour market over the last five years. Pacific peoples employment and average wages have risen and unemployment has declined. While growth in wages and employment has been impressive, this is off a low base. Key data can be found in Table 1.
- 3 Employment growth for Pacific peoples has been high at 3.8% per annum on average since 2001. This expansion in employment is higher than the economy-wide average of 2.7% and exceeds that for European (1.6%) and Maori (3.5%).
- 4 The Pacific labour force has grown strongly due to robust growth in the working-age population and a rise in the rate at which Pacific peoples participate in the labour force. The Pacific participation rate rose from 60.8% in the 2001 year to 62.3% for the year to December 2006. However, this is still well below European (69.7%) and Maori levels (67.0%) for the year to December 2006.
- 5 The unemployment rate for Pacific peoples continued to fall in the year to December 2006, down to 6.4%. This rate declined from 9.6% in 2001 and is only just above the 19-year low of 6.2% recorded in the December 2005 year. However, the unemployment rate still remains high when compared to the economy-wide unemployment rate of 3.8% for the year ending December 2006. This could be in part due to Pacific peoples having a higher proportion of youth who generally have higher unemployment rates. The absolute fall in the Pacific peoples unemployment rate between 2001 and 2006 was greater than the fall for European (3.9% to 2.7%) and only slightly less than the fall for Maori (12.3% to 7.9%).
- 6 While the unemployment rate for Pacific peoples (6.4%) is lower than that for Maori (7.9%) this is off-set by the lower rate at which Pacific peoples participate in the

¹ For people who specify more than one ethnic group, where one of those ethnicities is Pacific the HLFS reports them in the Pacific group. The exception is for people who specify Maori and Pacific, who are reported as Maori.

labour market and the lower proportion of Pacific peoples employed. In the year to December 2006, the employment rate for Pacific peoples was 58.3% compared to 61.7% for Maori and 67.7% for Europeans.

- 7 Average hourly earnings for Pacific peoples rose by 4.6% per annum on average between June 2001 and June 2006, from \$13.10 to \$16.38. This growth was lower than that for Maori (4.9%) but higher than that for Europeans (4.3%) and that of the whole economy (4.1%). In real terms (after adjusting for inflation), wage growth for Pacific peoples averaged 1.8% per annum over these five years. At \$16.38, the average wage for Pacific peoples is well below the average wage for the whole economy of \$20.04. This is affected by the younger age profile of Pacific peoples and their relatively high exposure to low-skilled and service & sales occupations which have relatively lower wages.

Table 1: Snapshot of Pacific peoples labour market outcomes, years to December 2001 and 2006 ('000 unless stated otherwise)

	2001	2006	Change (#)	Change (%)	Economy-wide change (%)
Labour force status					
Employed	77.6	93.5	15.9	20.5	14.2
Unemployed	8.2	6.4	-1.8	-22.0	-20.2
Labour force	85.8	99.9	14.1	16.5	12.4
Not in the labour force	55.3	60.5	5.3	9.5	1.1
Working-age population	141.1	160.4	19.3	13.7	8.6
Proportional measures					
Employment rate (%)	55.0	58.3	3.3	-	3.2
Labour force participation rate (%)	60.8	62.3	1.4	-	2.3
Unemployment rate (%)	9.6	6.4	-3.2	-	-1.6
Industry employment					
Primary sector	1.8	2.5	0.7	39.4	-5.6
Secondary sector	26.8	29.4	2.6	9.7	12.1
Service sector	48.2	60.1	11.9	24.7	17.2
Skill employment					
High-skilled occupations	10.8	12.9	2.1	19.7	21.9
Skilled occupations	14.1	15.7	1.6	11.5	17.0
Semi-skilled occupations	40.5	49.6	9.1	22.5	9.8
Low-skilled occupations	11.8	14.4	2.6	22.0	2.4
Wage growth					
Pacific peoples	\$13.10	\$16.38	\$3.28	25.0	-
Economy Wide	\$16.38	\$20.04	\$3.66	22.3	-

Source: Household Labour Force Survey, Statistics New Zealand. Notes: figures may not sum to total due to rounding, the secondary sector includes manufacturing, utilities and construction.

- 8 Pacific peoples are concentrated in the Auckland region. According to the 2006 Census, 67% of Pacific peoples lived in the Auckland Region, compared to 30% for non-Pacific peoples. Working-age population growth has been high for Pacific peoples over the last decade averaging 3.0% per annum compared to 1.2% for non-Pacific peoples. This has helped drive working-age population growth of 1.8% in the Auckland region. This trend is predicted to continue with Pacific peoples expected to increase at more than three times the pace of non-Pacific peoples.

Industries and occupations

- 9 In the year to 2006, nearly two-thirds (64%) of Pacific peoples were employed in service-related industries, with a large proportion employed in the wholesale and retail trade industry (14%). The most common single industry for Pacific peoples to be employed in however was the manufacturing industry (24%).
- 10 A closer look at industries shows that between 2001 and 2006 Pacific employment has expanded beyond average in high employment growth sectors such as construction, property & business services, accommodation, cafes & restaurants, and education. However, Pacific peoples have also increased their employment share in declining sectors such as agriculture, manufacturing, transport & storage, and wholesale & retail trade. At the same time they have not benefited from expansion in other high growth areas such as finance & insurance and health & community services.
- 11 The occupations of Pacific workers tend to be low-skilled: plant & machine operators & assemblers, service & sales, and elementary. In the year to December 2006, 68% of Pacific peoples were employed in either semi-skilled or low-skilled occupations (up 1 percentage point since 2001) compared to 49% for non-Pacific peoples. There are two characteristics of the Pacific population that may help explain this. The first is the younger age distribution, 56% of Pacific peoples were under 25 in 2006 compared to 36% for the whole population. Secondly, the fact that Pacific peoples have a lower level of qualifications on average, 42% of Pacific peoples in 2005 had no qualifications compared to 24% for non-Pacific peoples.

Pacific females and youth

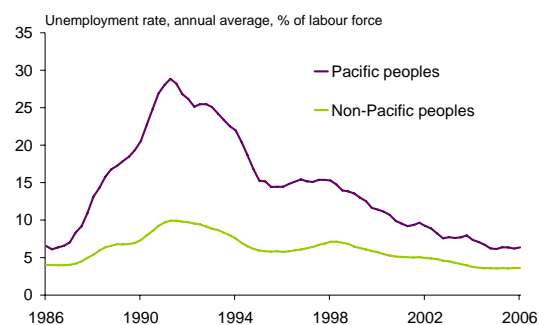
- 12 Labour market conditions for Pacific men are stronger than for Pacific women, but this gap may be narrowing. The unemployment rate for Pacific men fell considerably from 10.8% in 2001 to 6.3% in 2006, while the rate for Pacific women fell from 8.1% to 6.5%. Over the same time period the participation rate for Pacific women rose strongly from 51.3% to 55.2% while the participation rate for Pacific men fell slightly from 71.2% in 2001 to 69.7% in 2006.
- 13 Labour market outcomes for Pacific youth² have improved greatly over the past five years. Between 2001 and 2006, Pacific youth have experienced above average employment growth (26% compared to 19% for non-Pacific youth) and a large fall in the number unemployed (19% fall compared to 4% for non-Pacific youth). This has resulted in the gap between Pacific youth and non-Pacific youth unemployment rates contracting considerably over the last five years, from 7.1 percentage points in 2001 to 3.2 percentage points in 2006.

Reducing disparities

- 14 Figure 1 shows that with the increasing tightness of the New Zealand labour market, the gap between Pacific peoples and non-Pacific peoples unemployment rates has narrowed considerably over the last five years. The gap fell to 2.8 percentage points in December 2006 (6.4% for Pacific Peoples compared to 3.6% for non-Pacific Peoples) from 4.5 percentage points in December 2001 (9.6% for Pacific Peoples compared to 5.1% for non-Pacific Peoples).

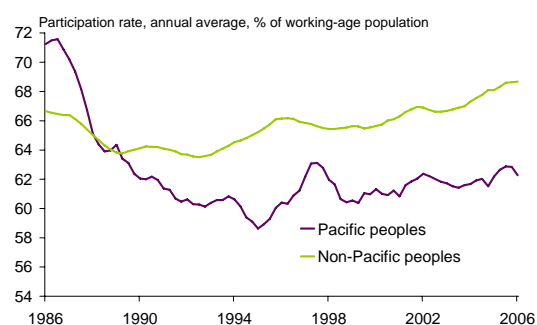
² In this report, youth refers to as those aged 15-24.

Fig 1: Unemployment rates



Source: HLFS, Statistics New Zealand

Fig 2: Participation rates



Source: HLFS, Statistics New Zealand

- 15 The difference between labour force participation rates, however, has increased. The Pacific peoples participation rate of 62.3% is considerably lower than the non-Pacific peoples rate of 68.7% in December 2006. This gap of 6.4 percentage points in December 2006 is larger than the 5.5 percentage point gap in December 2001.
- 16 The proportion of Pacific peoples employed in low-skilled occupations has remained relatively steady, increasing slightly from 15% in 2001 to 16% in 2006. The proportion of Pacific peoples employed in highly-skilled occupations (14% in 2001 and in 2006) and semi-skilled occupations (18% in 2001 to 17% in 2006) also remained similar. Pacific peoples have a much higher proportion of workers employed in low-skilled occupations compared to non-Pacific peoples and the difference is larger in 2006 than in 2001. However, after increasing between 2002 and 2004 this disparity has reduced considerably over the last two years.
- 17 Pacific peoples comprised 8% of total unemployment in the year to December 2006 which remains substantially higher than the Pacific peoples' share of the labour force (5%) and the Pacific peoples share of the working-age population (5%). This points to continuing disadvantages which may be due to standard indicators of unemployment likelihood such as age, work experience, and education.
- 18 Nevertheless, the 22% fall in the number of Pacific peoples unemployed over the period 2001-2006 was higher than the 20% fall for non-Pacific peoples. Therefore, in terms of unemployment levels, Pacific peoples have improved slightly relatively to non-Pacific peoples.
- 19 Projections by the New Zealand Institute of Economic Research suggest that the 2001 wage gap between Pacific peoples and non-Pacific peoples of 82% would remain at around 85% by 2021 in a business as usual scenario. However, this gap would close to about 96% if education and training levels of the current generation of Pacific children would be the same as those of non-Pacific peoples.
- 20 Participation in tertiary education for Pacific peoples has increased since 2001. In 2001, 12.1% of the Pacific population aged 15 and over was enrolled in tertiary education. By 2005 this percentage had increased to 15.7%, above the average rate for the whole population of 14.2%. Pacific peoples also display a high level of participation in industry training. In 2005, over 9,000 Pacific peoples participated in industry training. Pacific peoples accounted for 5.6% of all industry trainees, compared with a 4.3% share of the workforce in 2005.

Immigration

- 21 Immigration is a significant component of population growth for Pacific peoples in New Zealand. In the 2001 Census³, 42% of Pacific peoples in New Zealand were born overseas (97% in the Pacific Islands) compared to only 19% for non-Pacific peoples.
- 22 There was a net gain of 4,400 permanent and long-term⁴ (PLT) migrants from the Pacific over the year to December 2006. This is similar to the net gain of 4,500 in the year before but up from 3,500 over the year to December 2001. The increase in net PLT migration from the Pacific between 2001 and 2006 has been driven by a rise in PLT arrivals. In the year to December 2006, Fiji was the largest contributor of Pacific People to New Zealand, and together with Samoa and Tonga, accounted for nearly 80% of total Pacific arrivals and departures. In 2006, net migration inflows of Pacific peoples accounted for 30% of total net migration gains.
- 23 Currently New Zealand operates a ballot quota system with a maximum of 1,100 people from Samoa per annum, 250 from Tonga, 250 from Fiji, 75 from Kiribati and 75 people from Tuvalu per annum, on the condition of a bona fide employment contract. The impact of the ballots is that migrants are drawn from a cross section of Pacific society, not just the high skilled as is the case with selection under the skilled migrant category. Although the ballot-based residence schemes are significant they only account for a small proportion of total Pacific migrants as total PLT arrivals from the Pacific were 6,100 in the year to December 2006.
- 24 The occupational breakdown of people who arrived from the Pacific is more skilled than the New Zealand workforce. Only 29% of people employed in New Zealand are in highly skilled occupations while 35% of all people who arrived from the Pacific in the year to December 2006 were in highly skilled occupations. Just 3% of these arrivals were in low-skilled occupations. However, the occupational breakdown of people who arrived from the Pacific is less skilled than that of total arrivals from all regions. This can be partly explained by the ballot quota system.
- 25 There has been a fall in the number of Pacific-born people migrating from New Zealand to Australia since 2001. In the year to December 2001, 1,300 Pacific-born New Zealand citizens migrated to Australia from New Zealand. This fell to 800 in the year to December 2002, before averaging just over 900 over the next four years. This trend was similar for all New Zealand citizens.

Further opportunities

- 26 Disparities between Pacific peoples labour market outcomes and those of non-Pacific peoples have declined over the last five years. However, it is unclear whether this represents a fundamental move towards more equal employment prospects between Pacific peoples and non-Pacific peoples, or whether it simply reflects the state of the labour market over the last five years where demand for labour has been high. Furthermore, declining disparities give the impression that Pacific peoples are "catching up" in the labour market, but this may be due to their lower starting position rather than high relative performance by Pacific peoples.
- 27 Nevertheless, these positive trends for Pacific peoples have taken place over an extended period of time. With the labour market forecast to remain tight, there will be more opportunities for groups with below average labour market outcomes to reduce disparities. This reinforces the need for Pacific workforce development and

³ 2006 Census data is not yet available for place of birth by ethnicity.

⁴ PLT data cover migrants intending to stay or leave for 12 months or more.

upskilling policies which will ensure Pacific Peoples can easily move into more highly-skilled jobs. Reducing the number of Pacific peoples permanently in low-skilled occupations, increasing labour force participation and raising wages are areas where further opportunities exist to improve labour market outcomes.

APPENDIX I: LABOUR MARKET TERMS AND DEFINITIONS

The main terms from the Household Labour Force Survey (HLFS) that we use in this report and a chart that shows how they relate to each other 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.

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 less 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 (ie they are not employed and not unemployed). For example, people who are retired, studying, or at home looking after children.

Labour force participation rate: 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: Maori; Pacific Peoples; Other ethnic groups; European.

Pacific peoples labour market for the year to December 2006

