



WHY ARE MEN MORE AFFECTED BY LABOUR MARKET DOWNTURNS?

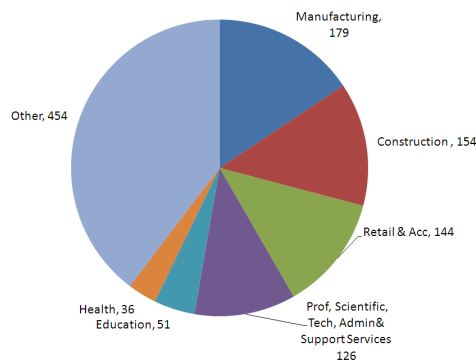
The recent recession has impacted workers in most industries, but men are taking a much bigger hit than women. In this note we use data from the Household Labour Force Survey (HLFS) to explore why men are doing worse during the current downturn and what this may mean for their employment growth in the medium term.

Between the December 2007 and September 2009 quarters the economy shed 34,000 jobs; 80 percent of these jobs were held by men. Since the December 2007 quarter, women's employment has declined by 0.7% compared to a 2.3% fall for men. As a result, there has been a larger increase in men's unemployment rate compared with women.

The greater impact on men from the current downturn is consistent with previous recessions. A large part of the explanation is the different industries that men and women work in and how much these industries are exposed to the economic cycle. Manufacturing and construction are typically prone to changes in economic conditions and employ a high proportion of men (see Figure 1). Just under one third of men are employed in the manufacturing and construction industries and over half of all job losses in New Zealand have come from these two industries in the last year.

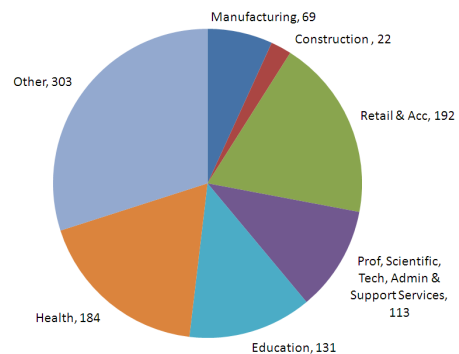
In contrast, a higher proportion of women tend to be employed in publicly funded sectors such as education and health (see Figure 2). These sectors have grown considerably in New Zealand in the last decade and are less affected by changes in economic conditions. In fact, compared to a year ago, women's employment in health & social assistance industries has risen by 7.6%. In addition, women are more likely to be employed in part-time positions and may be less vulnerable to being laid off when business is slow, or more flexible in adjusting their hours. Approximately one third of women in employment work part-time, compared with one in ten men.

Fig 1: Seasonally adjusted male employment by industry September 2009 quarter, 000s



Source: Statistics New Zealand, seasonally adjusted by DoL.

Fig 2: Seasonally adjusted female employment by industry September 2009 quarter, 000s



Source: Statistics New Zealand, seasonally adjusted by DoL.

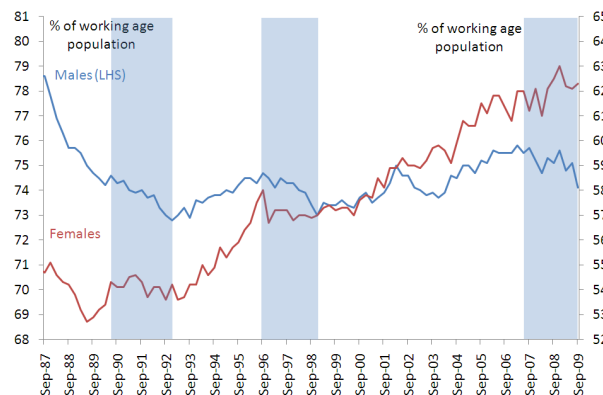


Men seem to be reacting differently to women in the current labour market downturn which is most likely related to the job prospects in their respective industries.

Between the December 2007 and September 2009 quarters, the participation rate for men dropped by 1.1 percentage points compared to an increase of 0.2 percentage points for women. This data suggests that while most men that have lost their jobs have kept looking for a new job (their unemployment rate went up), some have decided to leave the labour force all together, particularly younger and older men. This may be a reflection of younger men leaving the workforce to take up study. For the year to September 2009 there were 39,200 men aged 15-24 years who were not in employment but participating in formal study, up 14.8 percent compared to a year ago. Additionally, an increase in the number of older men not in the labour force may be due to a significant number deciding to retire.

In contrast, participation among women has remained high because most women have remained in employment or chosen to stay in the labour market. Since December 2007, older women and women in their late thirties have had the largest increases in participation. The overall trend in participation for men and women is similar to previous labour market downturns as highlighted in blue in Figure 3.

Fig 3: Seasonally adjusted labour force participation rate by gender, Sep 1987- Sep 2009



Source: Statistics New Zealand

Outlook for the labour market

The outlook for the New Zealand economy has improved markedly compared to six months ago. Underpinning this view is a lift in business confidence, increased net migration and housing activity and an improved global outlook. However, any improvement seen in the economy will take time to filter through to the labour



market. Also, the way that global economies exit their respective fiscal stimulus packages will strongly influence economic performance from 2011 onwards.

Recovery in the level of men's employment is expected to be only gradual in the short term due to weakness in sectors such as manufacturing and construction over the past 18 months or so. There are some signs of a recovery in housing market activity with an increase in the issuance of residential building consents, a rise in net migration, low interest rates and a rise in house prices. The recovery in the housing market may be short-lived however if net migration loses momentum and interest rates rise sharply in the medium term. Employment relating to the manufacturing sector is expected to improve when both the domestic and global economies pick up, however it will continue to face challenges in the coming months should the New Zealand dollar remain relatively high.

While relatively less affected by the downturn, growth in women's employment is expected to be limited. Budget constraints in the short to medium term for education, health and associated sectors mean that employment growth related to these sectors is likely to be weak. Additionally, while retail spending appears to be recovering (albeit still at low levels), further employment growth in this sector will be constrained by weaker household consumption due to falling wage growth, a weaker labour market and households trying to reduce debt.

Overall we expect the different impacts from the economic downturn on men and women to persist in coming months, with men's employment growing faster than for women in the medium term. That said, men's employment has more ground to make up.