



# Likely areas of growth in employment opportunities

QUARTERLY REPORT · APRIL 2011



## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>3</b>
<b>1. PURPOSE OF REPORT .....</b>	<b>7</b>
<b>2. OUTLINE.....</b>	<b>7</b>
<b>3. UNEMPLOYMENT BENEFICIARIES.....</b>	<b>8</b>
3.1 Unemployment-related benefit counts .....	8
3.2 New unemployment beneficiaries.....	10
3.3 Job seeker information .....	11
<b>4. CURRENT LABOUR MARKET SITUATION AND SHORT-TERM OUTLOOK</b>	<b>13</b>
4.1 Labour market overview .....	13
4.2 Labour market outlook .....	14
4.3 <i>Jobs Online</i> vacancies.....	15
4.3.1 Advertised vacancies by sector.....	16
4.3.2 Advertised vacancies by occupation .....	16
4.3.3 Advertised vacancies by region .....	16
4.4 Vacancies listed at Work and Income .....	17
4.5 Short-term outlook by selected industries in 2011-2012 .....	18
<b>5. EMPLOYMENT FORECASTS FOR 2010-15 .....</b>	<b>20</b>
5.1 The forecasts in context .....	21
5.2 Employment forecasts by industry .....	21
5.3 Employment forecasts by occupation.....	25
5.4 Opportunities for lower-skilled workers.....	26
<b>6. EMERGING JOB OPPORTUNITIES AND CHALLENGES .....</b>	<b>27</b>
<b>7. APPENDICES .....</b>	<b>29</b>
Appendix 1: Ministry of Social Development Benefit data .....	29
Appendix 2: Employment forecast methodology .....	30
Appendix 3: Adjusting the Forecasts for the Canterbury Earthquakes.....	32

## **EXECUTIVE SUMMARY**

### **The economy is likely to remain weak in the short term with the February earthquake set to reduce growth in the first half of 2011.**

Economic activity increased modestly (by 0.2%) in the December 2010 quarter, reversing a slight decline in the September 2010 quarter. The flat result confirms that the economic recovery effectively stalled over the second half of 2010 as domestic demand remained subdued; business confidence softened; and the economy was hit by a number of shocks, such as September's earthquake and storms and an early summer drought. Real Gross Domestic Product (GDP) has barely grown since the March 2010 quarter and, with the February earthquake likely to reduce growth over the first half of 2011, the New Zealand economy is set to remain weak.

Subdued economic conditions saw the pace of labour market recovery slow over the second half of 2010. The number of people in employment fell by 0.5%, or 11,000 people, over the December 2010 quarter, which saw the unemployment rate rise from 6.4% to 6.8%.

The labour market remains volatile, with the fall in employment following on from a large 1.1% rise in the September 2010 quarter. Looking at the trend over the past year, it is clear that the labour market was in a better position in the December 2010 quarter than it was a year earlier. At that time the unemployment rate had edged down slightly from 7.0% to 6.8% while employment had increased by 1.3%, or 27,000 people.

In the past year, men accounted for two-thirds of the rise in employment. Much of this is because the industries that have grown over the past year, such as manufacturing, have tended to be male-oriented. Older workers also experienced strong employment growth as labour force participation rates for older age groups continued to increase.

### **Labour market outlook**

Economic growth is expected to be weak over the first half of 2011, mainly due to the disruptions caused by the February 22 earthquake in Canterbury. The immediate disruption will impact most severely on consumer spending, business services, and tourism, with the Christchurch Central Business District (CBD) affected far more than in the September 4 earthquake.

As the economic disruptions from the earthquake diminish, growth is expected to pick up slowly over the second half of 2011. Robust trading partner growth, high commodity prices, low interest rates, the Rugby World Cup, and the early stages of reconstruction from the earthquakes are expected to see growth rise in late 2011 and strengthen in 2012.

The damage from the two Canterbury earthquakes is currently estimated to be around \$15 billion, which is equivalent to around 8% of annual nominal GDP. While the rebuild will provide a significant boost to investment, it is not expected to fully commence until 2012. Although there is significant uncertainty around forecasts and estimates of the damage, the Treasury currently predicts economic

growth of 4.2% for the year to March 2013. Because of the extent of damage and the likely capacity constraints, rebuilding is expected to continue for at least 5 to 10 years.

Data released before the February earthquake had suggested that the labour market was set to improve over 2011. Employment intentions were positive, advertised vacancies were rising and, although employment fell in the December 2010 quarter, total hours worked continued to trend upwards. However, the February earthquake significantly changed the outlook. In the short term, the negative effects of the earthquake are likely to see the unemployment rate remain elevated.

The Department of Labour (the Department) expects the unemployment rate to remain around its current rate of 6.8% over the first three quarters of 2011 before gradually trending down. It is likely that Canterbury could experience record unemployment levels in the short-term. However, once the rebuild gathers momentum over 2012, employment is expected to rise strongly, which should see the unemployment rate fall relatively sharply during 2012 and 2013.

### **How are key industries performing?**

#### *Agriculture and forestry: performing well, outlook positive*

Although the early summer drought affected agriculture production in late 2010, the outlook for the industry in general is extremely positive. Strong trading partner growth, particularly from Asia, and record high commodity prices will see strong returns for agriculture and forestry over 2011. The March 2011 National Bank Business Outlook (NBBO) showed many agriculture firms intend to increase activity over the next 12 months, the most positive outlook for any industry. Similarly, forestry is booming on the back of rapidly rising exports to China, while the timber industry should get a boost from the rebuilding of Canterbury and Japan.

#### *Construction: currently weak, but outlook positive due to Canterbury rebuild*

Conditions in the construction industry remain subdued. Residential construction activity fell sharply over the second half of 2010 after briefly recovering in late 2009 and in early 2010. Activity remains well below pre-recession levels and the immediate outlook is relatively poor, with house prices stagnant, housing turnover low, and building consent issuance weak. However, reconstruction activity from the repair of leaky buildings, particularly in Auckland, and earthquakes in Canterbury will provide a large boost to both residential and non-residential construction from early 2012 onwards. While the timing and extent of the rebuild is unclear, strong employment growth is expected in construction and related industries for at least 5-10 years.

#### *Manufacturing: rebounding, with exporters doing well*

After falling strongly during the downturn, manufacturing employment has risen over the past year. The number of people employed in the manufacturing industry rose by 7.3% or 17,400 people over the year to December 2010. The latest Quarterly Survey of Business Opinion (QSBO) showed firms reported

further increases in output in the March 2011 quarter after a strong increase in the December 2010 quarter. However, the strength in the sector is mainly being experienced by exporting firms, particularly for those focused on Australia, given the favourable exchange rate. Manufacturers servicing the domestic market are continuing to struggle.

*Retail: struggling, with limited job opportunities*

Although employment in retail has risen over the past year, conditions in the sector remain difficult. Activity in the retail trade industry fell by 2.0% over the December 2010 quarter, led by a decline in expenditure on durable goods, with many households remaining cautious in their spending decisions and continuing to look to pay off debt or increase savings. Higher food and oil prices as well as a subdued housing market have ensured that household spending remained weak in early 2011. The March 2011 NBBO showed that retail firms expected activity and employment levels to fall over the next year, although this response is likely to have been significantly influenced by the Canterbury earthquakes.

*Services: heavily impacted by the earthquakes but outlook still positive*

The March 2011 QSBO suggested that activity in the service industry was heavily affected by the Canterbury earthquakes, particularly financial services. Indeed, as a result of the earthquakes, the Department expects there to be significant declines, especially in Canterbury, in activities covering the following industries: retail; food & beverage services and other hospitality; property operators & real estate services; finance; and professional, scientific & technical services. Nevertheless, the longer term outlook for the industry is relatively positive, with NBBO results indicating that almost one-fifth of service firms intended to increase activity over the next 12 months.

***Where will there be employment growth over the next five years?***

The Department's employment forecasts suggest there are improving job prospects for a number of industries and occupations over the period 2010-2015, on the back of approximately 9% growth in the size of the workforce. An estimated 199,600 jobs will be created, with employment growth expected to be the highest in retail trade (up 30,300), hospitality (up 26,600), and business services (up 21,500). While these medium-term forecast figures may seem somewhat inconsistent with what we expect in the short-term or over the next year, it is important to note that our forecasts predict much of this growth likely to occur over the latter parts of the 2010-2015 period.

There are generally positive employment forecasts for the primary sector over the period 2010-15, with agriculture leading the way (up 16,400) and forestry and logging (up 1,100) also growing.

The manufacturing sector is showing positive signs as a result of more export-led economic growth. Employment in food, beverage and tobacco manufacturing has the highest growth forecast (up 10,600), followed by machinery and equipment manufacturing (up 8,700). Much of this anticipated manufacturing work is likely to be based in the Auckland region, where the greatest proportion of the manufacturing workforce is based.

Construction-related employment is expected to grow by 19,800 nationally over the next five years, although the forecasted figures do not take into direct account impact of the February 22 Christchurch earthquake on specific occupations or industries, which will further stimulate the sector and generate numerous jobs. The Department is working with the Canterbury Development Corporation to model the labour needs for the reconstruction of Canterbury as a separate exercise.

By occupation, employment growth is dominated by the very broad 'specialised managers'<sup>1</sup> occupational group. Employment in this group is forecast to grow by 41,400 between 2010 and 2015, accounting for one-fifth of the expected increase in total employment.

While higher-skilled occupations account for the majority (55%) of expected employment growth, there will still be opportunities for lower-skilled persons. Notably, compared to the recent historical period 2006-2010, greater levels of opportunities are expected for lower-skilled workers. Examples of lower-skilled occupations forecast to grow the most include housekeeping and restaurant services workers (up 11,400), farm workers (up 10,900), salespersons (up 8,300), and labourers (up 7,100).

---

<sup>1</sup> The 'specialised managers' category includes managers in fields such as IT, Human Resources, Sales & Marketing, Engineering, Finance, Advertising & Public Relations, Retail, and Construction. The distribution of the Occupational shares of 'specialised managers' in different industries indicate that they can be as high as 25% in some industries, such as in hospitality, or as low as 2-3% in agriculture.

## **1. PURPOSE OF REPORT**

This report provides analysis about the industries and occupations that are likely to provide employment opportunities for lower-skilled workers.

The information will help influence service delivery through Vote: Social Development and Vote: Education.

The report primarily focuses on the next 12 months and provides a mixture of quantitative and qualitative labour market information at a national level. The report provides analysis of unemployment beneficiaries and detailed assessments of the current and future shape of the labour market, focusing on employment prospects in key industries including agriculture, manufacturing, construction, retail, and services, as each was negatively impacted by the recession. Furthermore, these industries were chosen because of their size and/or because they have a disproportionate share of lower-skilled workers, many of whom are youth.

The report also presents the Department's national employment forecasts by industry and occupation for the medium-term period of 2010-2015.

This is the fifth report in a regular quarterly series. The next quarterly report will be completed in July 2011.

## **2. OUTLINE**

Section three focuses on what is known about those receiving unemployment benefits, including latest benefit counts, demographic information on beneficiaries, and previous occupational histories.

Section four examines the current performance of the labour market, with particular reference to the agricultural, construction, manufacturing, retail, and service industries.

Section five presents the Department's detailed national employment forecasts by industry and occupation, with specific focus on opportunities for lower-skilled workers over the period 2010-2015.

Appendix 1 discusses Ministry of Social Development (MSD) benefit data methodology.

Appendix 2 details the Department's employment forecast methodology.

Appendix 3 outlines adjustments to the forecasts to take into account the impact of the Canterbury earthquakes.

### 3. UNEMPLOYMENT BENEFICIARIES

*Key points:*

- At the end of February 2011, there were 64,308 people throughout New Zealand on unemployment-related benefits.
- The majority (70%) were male.
- By ethnicity, 36% were Māori and 10% were Pacific peoples.
- By age group, 32% were youth aged 18-24 years.
- In the three months to March 2011, 41% of people granted an unemployment benefit had either not been recently employed or had never worked.
- In the three months to March 2011, only 4% of people granted an unemployment benefit listed their previous occupation as professional or technical workers.

Information about people who are receiving unemployment-related benefits<sup>2</sup> is important, as it informs our understanding of the potential supply of labour for the industries and occupations we anticipate to grow. This section looks at who is receiving unemployment benefits, focusing on their demographic characteristics and previous work histories. It concludes by examining registered job seekers and the jobs they are looking for.

#### 3.1 Unemployment-related benefit counts

Table 1 shows that at a national level those receiving unemployment-related benefits were disproportionately likely to be male, Māori or Pacific peoples, and/or young.

At the end of February 2011<sup>3</sup>, there were 64,308 people on unemployment-related benefits nationally. Of these, the majority (70%) were male. By ethnicity, 36% were Māori and 10% were Pacific peoples. These results differ considerably from the profile of the working age population, which is comprised of 49% males, 13% Māori, and 6% Pacific peoples.

The total number of unemployment-related beneficiaries in New Zealand increased three-fold in the three years from the end of February 2008, from

---

<sup>2</sup> Unemployment-related benefits are the Unemployment Benefit and Unemployment Benefit Hardship. For more information on Ministry of Social Development data, see Appendix 1.

<sup>3</sup> Benefit statistics at the end of February presented here do not include people affected by the 22 February earthquake.

under 21,000 to over 64,000. Most of this growth occurred between September 2008 and December 2009, when numbers were on average doubling year-on-year. By contrast, the number of unemployment-related beneficiaries in February 2011 was only 0.3% higher than a year earlier. Numbers are still well above the historical low of 17,710, reached in June 2008.

**Table 1: National unemployment-related benefits counts (end of February 2008 and February 2011)**

<b>National</b>	<b>Feb-08</b>	<b>Feb-11</b>	<b>% change</b>
Male	13,832	44,967	225
Female	7,062	19,341	174
Māori	8,112	23,019	184
Pacific people	1,900	6,311	232
18–24 years	4,595	20,338	343
25–39 years	7,048	20,449	190
40–54 years	5,166	16,505	219
55–64 years	4,085	7,016	72
<b>Total</b>	<b>20,894</b>	<b>64,308</b>	<b>208</b>

Source: Ministry of Social Development.

A closer look at the data in terms of age (Chart 1) shows that the proportion of unemployment-related beneficiaries who are youth (32% in the February 2011 quarter) far exceeds their share of the working age population (18%). At the same time, older workers were a smaller proportion of unemployment beneficiaries (11%, compared to 14% of the working age population).

During the downturn, youth increased their share of total unemployment-related beneficiaries (from 22% in February 2008 to 32% in February 2011)<sup>4</sup>. During lean times, employers tend to shed younger, less experienced workers, while retaining older, more experienced workers. Also, younger workers are entering the labour market at a time when there are fewer jobs and employers can choose more experienced staff.

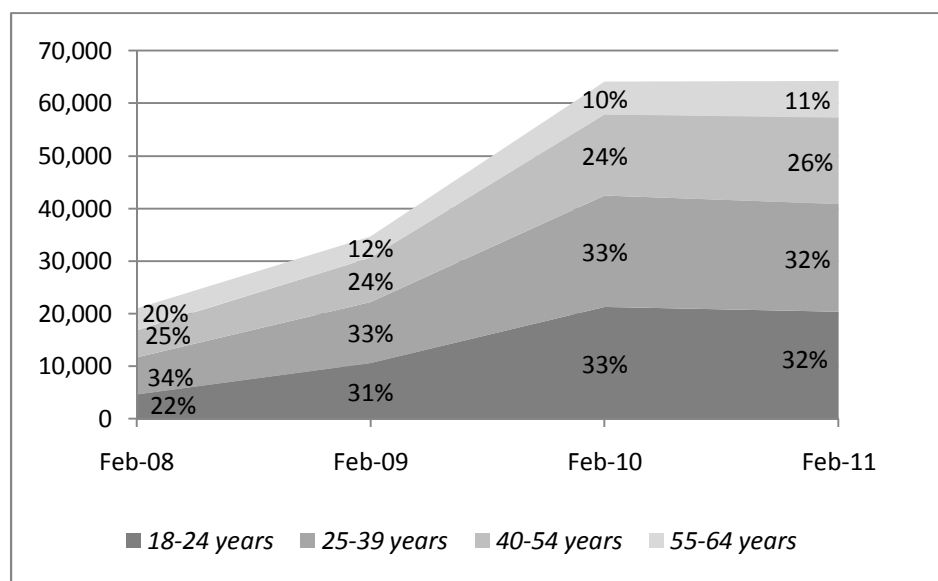
The decreasing share of older unemployment-related beneficiaries may be caused by people deciding to leave the workforce, but this is unlikely, as participation rates and employment rates for older workers are at historical highs<sup>5</sup>. Thus, it is likely that employers are retaining older workers in order to hold on to their skills.

---

<sup>4</sup> For more information on the recession's impact on youth, see the Department's Household Labour Force Survey (HLFS) investigation report at: <http://www.dol.govt.nz/publications/lmr/hlfs-investigation-reports/recession-impact/index.asp>

<sup>5</sup> The HLFS for December 2010 shows workers aged 55 and over have a participation rate of 45.2%, and 43.8% of people aged 55 and over are employed. The employment rate is the highest in the history of the survey, and the participation rate is the second highest.

**Chart 1: Unemployment-related benefit counts by age (National totals), February 2008 to February 2011**



Source: Ministry of Social Development.

### 3.2 New unemployment beneficiaries

In the period between January and March 2011, males accounted for almost two-thirds (64%) of the 25,433 new unemployment beneficiaries. By age group, 47% were youth aged 15-24 years and 28% were aged 25-39 years. In terms of ethnicity, 40% were New Zealand European and 34% were Māori, as Table 2 highlights:

**Table 2: New unemployment beneficiaries, January-March 2011**

	No.	Percentage of new unemployment beneficiaries
Female	9,107	36%
Male	16,326	64%
15-24 years	11,953	47%
25-39 years	7,095	28%
40-54 years	4,862	19%
55-64 years	1,512	6%
Māori	8,667	34%
Pacific	2,468	10%
NZ European	10,052	40%

Source: Ministry of Social Development.

As shown in Table 3, at the end of March 2011 approximately two out of every five people (41%) granted an unemployment benefit had not been recently employed. People not employed in the past year will include many younger people who have recently completed study and are seeking full-time employment for the first time, some who have previously done temporary work, homemakers returning to the labour market, and some people new to New Zealand. It also

includes those who have moved from the sickness, Domestic Purposes, or ACC Benefits.

Approximately 19% of new unemployment beneficiaries had previously been service workers, while 6% were agricultural, forestry workers, fishermen, or hunters. Furthermore, some of the figures reflect seasonal employment.

In summary, former lower-skilled workers are over-represented in unemployment benefit statistics. However, 1,057 previously held professional and technical jobs, representing 4% of people granted unemployment benefits in the three months to March 2011.

**Table 3: The number of new people granted an unemployment benefit by previous occupation, January-March 2011<sup>6</sup>**

<b>Previous Occupation</b>	<b>No.</b>	<b>Percentage of new unemployment beneficiaries</b>
Not recently employed	10,474	41
Service workers	4,716	19
Never employed	2,125	8
Agricultural, forestry workers, fishermen and hunters	1,433	6
Skilled production and related workers, transport, and equipment operators	1,430	6
Sales workers	1,373	5
Professional, technical and related workers	1,057	4
Unskilled production and related workers, transport, equipment operators, and labourers	987	4
Unspecified	801	3
Administration and management workers	606	2
Freezing workers	236	1
Clerical and related workers	195	1
<b>Total</b>	<b>25,433</b>	<b>100</b>

Source: Ministry of Social Development. Note: Examples of jobs within the service worker category are waiters, petrol station forecourt attendants, and hairdressers.

### 3.3 Job seeker information

The number of job seekers at Work and Income offices throughout the country totalled more than 53,121 in April 2011, as shown in Table 4. All of the top-ranked occupations sought were low-skilled, such as labourers (6,944), sales assistants (4,475), and loader and/checkers (3,906). When compared with Table 9 (page 17), it is apparent that the 6,345 Work and Income vacancies as at 31 March 2011 are far exceeded by the number of job seekers.

<sup>6</sup> The table is for all client ages. MSD usually reports working age population only for requests of this type and the counts will differ slightly from those in official reports for this reason.

**Table 4: Work and Income Job Seekers by occupation sought, April 2011**

<b>Job Seekers*</b>	<b>Count</b>
General Labour	6,944
Sales Assistant	4,475
Loader and/or Checker	3,906
Fruit Grower – Worker	3,733
Factory Hand	3,720
Cleaner	3,466
Kitchenhand	3,198
Packer	3,011
Slaughterer	2,503
Sales and/or Marketing Manager	2,492
<b>Total Job Seekers</b>	<b>53,121</b>

Source: Ministry of Social Development. Note: Previous editions of this report counted employment histories rather than unique job seekers. Since job seekers may have more than one employment history, the number of total employment histories is much higher than the number of unique job seekers. In the table above, job seekers may be counted over multiple occupations, but are counted only once in the total.

## 4. CURRENT LABOUR MARKET SITUATION AND SHORT-TERM OUTLOOK

### *Key points:*

- The economy is likely to remain weak in the short term with the February earthquake set to reduce growth in the first half of 2011.
- Economic growth is expected to be weak over the first half of 2011 due to the disruptions caused by the February 22 earthquake in Canterbury.
- Annual Household Labour Force Survey (HLFS) results show recent employment growth is strongest for males, those aged over 50 years, and those in the manufacturing sector.
- Job advertisements increased by 6.2% between December 2010 and March 2011, according to the Department's *Jobs Online* indicator.
- Employment opportunities differ across key industries:
  - Agriculture and forestry: performing well, outlook positive
  - Construction: currently weak, but outlook positive due to Canterbury rebuild
  - Manufacturing: rebounding, with exporters doing well
  - Retail: struggling, with limited job opportunities
  - Services: heavily impacted by the earthquake but outlook still positive.

This section begins with an overview of the labour market, focusing on its current state and prospects over the next year. It is followed by a look at where job growth is emerging, according to the Department's *Jobs Online*<sup>7</sup> indicator as well as job vacancies listed with Work and Income. A closer look at the performances of the agriculture, construction, manufacturing, retail, and service sectors is then presented. For each of these industries, the most recent labour market indicators are provided.

### 4.1 Labour market overview

Economic activity increased by only 0.2% in the December 2010 quarter, reversing a 0.2% decline in the September 2010 quarter. The flat result confirms that the economic recovery effectively stalled over the second half of 2010 as domestic demand remained subdued; business confidence softened; and the economy was hit by a number of shocks, such as September's earthquake and

---

<sup>7</sup> *Jobs Online* measures changes in job vacancies advertised on the main internet job boards: Seek, Trademe, and Herald Jobs.

storms and an early summer drought. Real GDP has barely grown since the March 2010 quarter and with the February earthquake likely to reduce growth over the first half of 2011, the New Zealand economy is set to remain in a weak phase.

Subdued economic conditions saw the pace of labour market recovery slow over the second half of 2010. The number of people in employment fell by 0.5%, or 11,000 people, over the December 2010 quarter, which saw the unemployment rate rise from 6.4% to 6.8%.

However, the labour market remains volatile, with the fall in employment following on from a large 1.1% rise in the September 2010 quarter. Looking at the trend over the past year, it is clear that the labour market was in a better position in the December 2010 quarter than it was a year earlier. The unemployment rate had edged down slightly from 7.0% to 6.8% while employment had increased by 1.3%, or 27,000 people.

Table 5 shows that most of the employment growth over the past year has been male oriented, with men accounting for two-thirds of the rise in employment. Much of this is to do with the industries that have grown over the past year. For example, employment in manufacturing, a heavily male-oriented industry, increased by 7% over the year to December 2010 after falling strongly during the downturn. Older workers have also experienced strong employment growth as labour force participation rates for older age groups continue to increase. The best performing region over the past year has been Otago, with employment up by 11%.

**Table 5: Employment growth over the year to December 2010**

<b>Sub-group</b>	<b>Annual employment increase</b>	<b>Percentage increase</b>
Males	18,000	2%
Older workers (50 years and over)	27,900	4%
Otago	12,100	11%
Auckland	8,100	1%
Canterbury	7,600	2%
Manufacturing	17,400	7%
Retail trade & accommodation	8,600	3%
Healthcare & social assistance	7,600	3%
<b>Total</b>	<b>27,000</b>	<b>1%</b>

Source: HLFS, Statistics NZ.

## 4.2 Labour market outlook

Economic growth is expected to be weak over the first half of 2011 due to the disruptions caused by the February 22 earthquake in Canterbury. The average prediction in the New Zealand Institute of Economic Research's (NZIER) Consensus Forecasts is for the economy to contract by 0.2% over the March 2011 quarter. The immediate disruption will impact most severely on consumer spending, business activity, and tourism, with the Christchurch CBD hit far worse than in the September 4 earthquake.

However, as the economic disruptions from the earthquakes diminish, growth is expected to pick up over the second half of 2011<sup>8</sup>. Robust trading partner growth, high commodity prices, low interest rates, the Rugby World Cup, and the early stages of reconstruction from the earthquakes are expected to see growth rise in late 2011 and strengthen in 2012.

The damage from the two Canterbury earthquakes is currently estimated at around \$15 billion, which is equivalent to around 8% of annual nominal GDP. While the rebuild will provide a significant boost to investment, it is not expected to fully commence until 2012. Demolition and land stabilisation, as well as the time required to obtain insurance assessments and consents, are likely to delay reconstruction until next year. Although there is significant uncertainty around forecasts and estimates of the damage, the Treasury currently predicts economic growth of 4.2% for the year to March 2013. Because of the extent of damage and the likely capacity constraints, rebuilding is expected to continue for at least 5 to 10 years.

Data released before the February earthquake suggested that the labour market was set to improve over 2011. Employment intentions were positive, advertised vacancies were rising and, although employment fell in the December 2010 quarter, total hours worked continued to trend upwards. However, the February earthquake has significantly changed the outlook. In the short term, the negative effects of the earthquakes are likely to see the unemployment rate remain elevated. The Department expects the unemployment rate to remain around its current rate of 6.8% over the first three quarters of 2011 before gradually trending down. It is likely that Canterbury could experience record unemployment levels in the short-term. However, once the rebuild gathers momentum over 2012, employment is expected to rise strongly, which should see the unemployment rate fall relatively sharply over 2012 and 2013.

### **4.3 Jobs Online vacancies**

The Department's *Jobs Online* indicator tracks the number of vacancies advertised online by industry, occupation, and region (some regions are grouped). It provides a useful indication of where employment growth may be about to pick up in the short-term. However it is important to note that higher-skilled positions are more likely to be advertised on internet job boards than lower-skilled vacancies.

*Jobs Online* shows a considerable increase in the number of job advertisements between December 2010 and March 2011. *Total* vacancies (that is skilled and semi-skilled combined) increased by 6.2% between December 2010 and March 2011, and by 65.5% since June 2009, when they were at their lowest point due to the recession. Advertised *skilled* vacancies increased by 7.1% between December 2010 and March 2011 and by 63.9% since June 2009.

---

<sup>8</sup> The March quarter HLFS will be published on May 5 2011.

### 4.3.1 Advertised vacancies by sector

Table 6 shows that the number of advertised vacancies increased across most major industry groups between December 2010 and March 2011. The highest growths in advertised total vacancies were in information technology (IT) (up 8.1%) and construction and engineering (up 7.3%) industries.

**Table 6: Change in online job advertisements by industry, December 2010 to March 2011 (total vacancies)**

Industry group	Dec 2010 – Mar 2011 change
IT	8.1%
Construction and engineering	7.3%
Sales, retail, marketing, and advertising	3.0%
Hospitality and tourism	2.9%
Accounting, HR, legal, and administration	2.3%
Health and medical	1.0%
Education and training	-1.2%
Other	7.9%

Source: *Jobs Online* trend series, Department of Labour.

### 4.3.2 Advertised vacancies by occupation

The growth in vacancies between December 2010 and March 2011 increased for all occupation groups, as evident in Table 7. Job advertisements for technicians and trades showed the strongest growth (up 11.1%), followed by labourers (up 7.3%) and community workers (up 6.3%).

**Table 7: Change in online job advertisements by occupation, December 2010 to March 2011 (total vacancies)**

Occupation group	Dec 2010 – Mar 2011 change
Technicians and trades	11.1%
Labourers	7.3%
Community workers	6.3%
Professionals	5.9%
Clerical and administration	5.3%
Managers	4.8%
Machinery operators	4.6%
Sales	4.3%

Source: *Jobs Online* trend series, Department of Labour.

### 4.3.3 Advertised vacancies by region

Table 8 shows that total vacancies increased for all regions between December 2010 and March 2011. Growth was the strongest in the South Island (excluding Christchurch) (up 8.6%), followed by Wellington (up 7.7%).

**Table 8: Change in online job advertisements by region, December 2010 to March 2011 (total vacancies)**

Region	Dec 2010 – Mar 2011 change
Auckland	6.3%
Wellington	7.7%
North Island – Other	7.2%
Christchurch	2.4%
South Island – Other	8.6%

Source: *Jobs Online* trend series, Department of Labour.

## 4.4 Vacancies listed at Work and Income

Vacancies listed with Work and Income, over time, are one of the stronger available indicators of lower-skilled demand growth, as employers can freely list jobs here, knowing that most candidates are likely to be seeking lower-skilled, entry-level positions.

### 4.4.1 Trends in Work and Income vacancies

Nationally there were 6,345 paid employment opportunities, or job vacancies, advertised by Work and Income as at 31 March 2011, which was slightly lower than the number available a year earlier. Table 9 shows the occupations that have shown the strongest vacancy growth compared to a year earlier.

A considerable number of growth areas over the past year are in jobs that require skills and experience. These included Office manager and Telecommunications technician roles. While these jobs will probably be out of reach of people without formal skills, there are other growth areas in jobs such as ticket sellers and cashiers, where a small amount of school level mathematics skills and customer service training would probably be adequate.

By industry, the strongest growth in vacancies listed over the past year was in property and business services, such as employment placement services, although many of these are likely to be temporary positions only. Overall, the demand for higher skilled workers is stronger than demand for lower skilled workers.

**Table 9: Strong growth Areas in Work and Income Job Vacancies 2010-2011**

Broad Group	Most Common Occupation	Opportunities Open as at		% change
		31-Mar-10	31-Mar-11	
Labourer & Related Elementary Service Workers	General labourer	1,262	1,422	12.7%
Corporate Managers	Office manager	386	419	8.5%
Drivers & Mobile Machinery Operators	Heavy Truck Driver	237	302	27.4%
Metal & Machinery Trades Workers	Motor mechanic	176	192	9.1%
Customer Services Clerks	Ticket seller/cashier	114	171	50.0%
Physical Science & Engineering Associate Professionals	Telecoms technician	79	96	21.5%
Building & Related Workers	Painter/Decorator	54	87	61.1%
Industrial Plant Operators	Timber process machine operator	48	49	2.1%

Source: Ministry of Social Development.

## **4.5 Short-term outlook by selected industries in 2011-2012**

The following section provides an assessment of the current and short-term future status of selected key industries, including agriculture, construction, manufacturing, retail, and services. Employment growth opportunities are expected to vary significantly between these industries.

### *Agriculture and forestry: performing well, outlook positive*

Although the early summer drought affected agriculture production in late 2010, the outlook for the industry in general is extremely positive. Strong trading partner growth, particularly from Asia, and record high commodity prices will see strong returns for agriculture and forestry over 2011. Over the December 2010 quarter forestry & logging activity rose by 6.6% on the back of increased log exports. Forestry is booming on the back of rapidly rising exports to China, while the timber industry should get a boost from the rebuilding of Canterbury and Japan.

The March 2011 National Bank Business Outlook shows a net 38.9% of agriculture firms intend to increase activity over the next 12 months, the most positive outlook for any industry.

### *Construction: currently weak, but outlook positive due to Canterbury rebuild*

Conditions in the construction industry remain subdued. Residential construction activity fell sharply over the second half of 2010 after briefly recovering in late 2009/early 2010. Activity remains well below pre-recession levels and the immediate outlook is relatively poor, with house prices stagnant, housing turnover low, and building consent issuance weak. However, reconstruction activity from the repair of leaky buildings, particularly in Auckland, and the two earthquakes in Canterbury will provide a large boost to both residential and non-residential construction from early 2012 onwards. The damage from the two Canterbury earthquakes is currently assumed to be around \$15 billion, (\$9b residential, \$3b commercial, and \$3b infrastructure). While the timing and extent of the rebuild is unclear, strong employment growth is expected in construction and related industries for at least 5-10 years.

### *Manufacturing: rebounding, with exporters doing well*

After falling strongly during the downturn, manufacturing employment has risen over the past year. The number of people employed in the manufacturing industry rose by 7.3% or 17,400 people over the year to December 2010. However, the strength in the sector is mainly being experienced by exporting firms, particularly to Australia (45% of all exports) given the favourable exchange rate, with manufacturers servicing the domestic market continuing to struggle. Indeed, the picture is mixed within the manufacturing sub-industries. Over the December 2010 quarter, a 14% increase in metal product manufacturing and a 6% rise in machinery & equipment manufacturing were partially offset by a 13% fall in textiles & apparel and a 4% fall in wood & paper product manufacturing. Similar trends were also noticeable in the latest Bank of New Zealand-Business New Zealand Performance of Manufacturing Index.

Although the earthquakes have significantly affected activity in the Canterbury region, the QSBO shows firms reported further increases in output in the March 2011 quarter after a strong increase in the December 2010 quarter. This has flowed through to the labour market, with the QSBO showing improved hiring over the March 2011 quarter and a net 4% of manufacturing firms intending to increase employment in the June 2011 quarter.

*Retail: struggling, with limited job opportunities*

Although employment in retail has risen over the past year, conditions in the retail sector remain difficult. Activity in the retail trade industry fell by 2.0% over the December 2010 quarter, led by a decline in expenditure on durable goods. While much of the decline is the result of a lull in activity following the rise in GST on October 1, households remain cautious in their spending decisions and continue to look to pay off debt or increase savings. Higher food and oil prices as well as a subdued housing market will ensure that household spending remains weak in early 2011. The March 2011 NBBO showed that retail firms expect activity and employment levels to fall over the next year, although this result is likely to have been significantly affected by the Canterbury earthquakes.

*Services: heavily impacted by the earthquakes but outlook still positive*

The March 2011 QSBO suggested that activity in the service industry was heavily affected by the Canterbury earthquakes, particularly financial services. Indeed, as a result of the earthquakes, the Department expects there to be significant declines in activity in Canterbury in the following industries: retail; food & beverage services and other hospitality; property operators & real estate services; finance; and professional, scientific, & technical services<sup>9</sup>. Nevertheless, the longer term outlook for the industry is relatively positive. According to the March 2011 NBBO, a net 18.0% of service firms intended to increase activity over the next 12 months, while a net 2.1% intend to increase employment levels.

---

<sup>9</sup> Based on analysis of the impacts of the September 4 earthquake.

## 5. EMPLOYMENT FORECASTS FOR 2010-15

### *Key points:*

- The Department's updated employment growth forecasts for the period 2010-2015 estimate 199,600 jobs will be created at about 1.8% per annum. This represents an increase of approximately 9% of the workforce over the five year period.
- By industry, forecast employment growth over the next five years is expected to remain highest in retail trade (up 30,300), followed by hospitality (up 26,600), and business services (up 21,500).
- By occupation, the largest number of opportunities over the next five years is forecast for specialised managers (41,400), followed by housekeeping and restaurant services workers (11,400), livestock farmers (10,900), and finance and sales associate professionals (10,200).
- The most strongly growing occupations for lower-skilled people include restaurant service workers, salespeople, labourers, and vehicle drivers.

This section presents results from the Department's employment forecasts<sup>10</sup> to 2015 (for more details, see Appendix 2, 'Employment Forecast Methodology'). These employment forecasts can be used to help identify the direction of future employment trends by industry and occupation. The forecast rates and levels of change for specific industrial or occupational employment are indicative of likely changes under the currently expected macro-economic and macro-labour market environment and hence should be used with caution.

It is important to note that the forecasts presented here do not capture the recent February earthquake's impact, which may significantly affect the future state of the workforce. A complete picture of the industry and occupation level impacts of the February 2011 earthquake will only be possible after all economic data for the recently completed 2011 March year is fully incorporated into the Department's general equilibrium model. This will not be possible until mid-2012

---

<sup>10</sup> The Department's employment forecasts are based on an economy-wide model developed with Business and Economic Research Limited (BERL), which forecasts annual average GDP growth by sector for the medium-term and is adjusted to cover the period 2010-15. Assumptions regarding changes in labour productivity by industries are made to convert these output forecasts into employment forecasts.

The forecasts are based on 2009 data as the base year, because some of the detailed national accounts and employment data sources required for this economic model were only available up to that year to undertake this mini-update. A more comprehensive forecast update with 2010 March year base period will be available later this year. For the national forecasts by industry and occupation (Tables 10 and 11, respectively) the employment changes over the year to March 2010 have been incorporated so that the forecast employment changes over the five year period to 2015 could be presented.

(for more details, see Appendix 3 'Adjusting the forecasts for the Canterbury earthquakes').

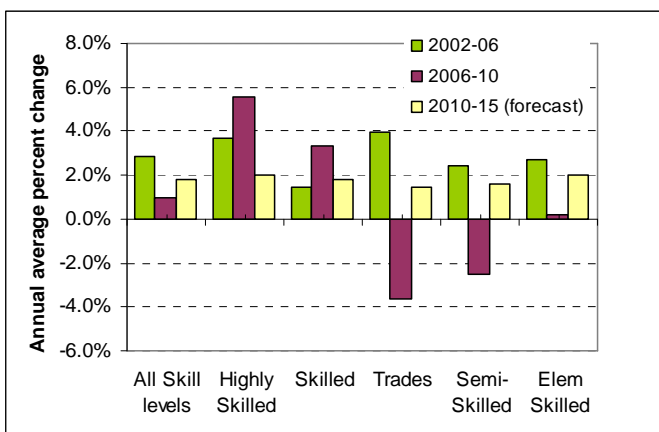
## 5.1 The forecasts in context

Forecasts need to be understood in relation to prevailing economic conditions. Chart 2 compares the past (2002-06) and recent (2006-10) historical growth in employment with the future change in employment forecast between 2010 and 2015. Changes are shown by broad skill level for three periods:

1. Strong employment growth period (2002-06) with 2.8% per annum growth across all skill levels,
2. Sluggish employment growth period (2006-10) with 1.0% per annum growth, and
3. Forecast employment recovery period (2010-15) with 1.8% per annum growth.

Chart 2 shows that the forecast recovery in employment in 2010-2015 (shown in yellow) is predicted to occur across all skill levels. This is in contrast to the pattern of growth in the preceding four year period (2006-10, shown in purple), when strong growth amongst highly-skilled workers was offset by a sharp decline in the trades and semi-skilled workforce, with little change to the size of the lowest-skilled workforce. The decline in trade workers at this time is in part linked to a downturn in construction activity. The period 2006-2010 saw the end of a period of prosperity and then the onset of the global financial crisis in 2008. New Zealand is still recovering slowly from the recession, but it is anticipated that there will be stronger economic and employment growth in the latter part of the 2010-2015 period. The workforce is forecast to grow by 9%, which equates to 199,600 workers over this time.

**Chart 2: Past and projected employment change by skill levels**



Source: Department of Labour employment estimates (2002-10) and forecasts (2010-15).

## 5.2 Employment forecasts by industry

Over the period 2010-2015, the Department forecasts that employment growth will be the highest in the retail trade, the country's largest industry in terms of numbers employed (up 30,300), as well as in accommodation, cafés, and restaurants (up 26,600), business services (up 21,500), and construction (up 19,800). The one sector forecast to experience appreciable job losses in this

period is government administration and defence (down 3,400). Table 10 provides the full set of forecasts by industry.

*Manufacturing:* More export-led growth forecast in the economy is resulting in most manufacturing sub-industries showing stronger growth, particularly those that are also influenced by stronger commodity prices such as dairy products. The manufacturing sub-industry forecast to show the strongest numeric growth is food, beverage, and tobacco manufacturing<sup>11</sup>, which is forecast to show an increase in employment of over 10,600 people over this period. The occupation in this industry forecast to grow most strongly is food processing machine operators, a relatively low-skilled occupation, though one in which technological changes are likely to be rapid. Machinery and equipment manufacturing is also forecast to show substantial employment gains of 8,700. Auckland is the largest region of employment of people in both these industries.

*Services sector:* Many new jobs are forecast with the retail trade (up 30,300 jobs), accommodation, cafés, and restaurants (26,600) and business services (21,500) expected to have the highest growth. In relative terms retail and accommodation are both forecast to experience above average growth over this period. The sector is likely to receive a significant short-term boost with the Rugby World Cup in October-November 2011. Other service sector industries forecast to see employment growth include property services (up 9,200) and transport and storage (7,500).

*Construction:* This highly male-oriented industry is forecast to increase employment by 19,800 over the next five years. Note that this forecast growth does not take into account the direct impact of the February 22 earthquake on Canterbury, which will further stimulate more jobs and investment in the sector. Furthermore, one of the key growth areas for the next few years, the Christchurch reconstruction programme, seems unlikely to provide many job opportunities for women. In 2006, only 2.3% of Building Trades workers were female.

*Agriculture* is one of the largest growing industries over the next five years. Most of the projected increase of 16,400 people is projected to occur amongst 'Market-oriented animal producers'<sup>12</sup>, who manage a variety of farm animals, the largest component of which are dairy farm workers. The grain and crop growing side of agriculture is forecast to experience much lower employment growth.

Two large industries stand out in terms of relatively low growth in forecast jobs: *education* (10,600 jobs) and *health and community services* (4,100). In 2010 each industry employed just under 190,000 people with a wide range of skill levels, from doctors and teachers to lower-skilled people such as caregivers and cleaners. A prominent feature of both industries is that they employ a high proportion of skilled women; primary teaching professionals and nursing and

---

<sup>11</sup> This sector is dominated by dairy factories and freezing works.

<sup>12</sup> 'Market-oriented animal producers' are involved with managing and/or working in farms to produce a variety of livestock, and examples include farmers, farm workers, wool classers, shearers and shepherds.

midwifery professionals, for example, employed a workforce that comprised 89% and 93% females respectively in 2006<sup>13</sup>.

*Government administration and defence* remains the only sector with a forecast appreciable employment decline (down 3,400 jobs). This forecast does not reflect the recent indications of further restraint in Government expenditure as a result of the budgetary pressure arising from the earthquakes in Canterbury.

---

<sup>13</sup> Source: Statistics New Zealand, Census of Population and Dwellings 2006.

**Table 10: Employment forecasts by industry, 2010-2015<sup>14</sup>**

<b>Aggregated Industries</b>	<b>Estimate for 2010</b>	<b>Forecast for 2015</b>	<b>Forecast change</b>	<b>Percent change per annum</b>
Retail trade (including motor vehicle repairs)	252,500	282,800	30,300	2.4
Accommodation, cafés, and restaurants	117,300	143,900	26,600	4.6
Business services	285,800	307,300	21,500	1.6
Construction	165,700	185,500	19,800	2.4
Agriculture	136,900	153,300	16,400	2.4
Education	189,900	200,500	10,600	1.2
Food, beverage, and tobacco manufacturing	64,400	75,000	10,600	3.4
Cultural and recreational services	59,700	69,100	9,400	3.2
Property services	46,800	56,000	9,200	4
Machinery and equipment manufacturing	43,600	52,200	8,700	4
Transport and storage	80,500	88,000	7,500	1.8
Wholesale trade	131,700	138,200	6,500	1
Personal and other community services	46,500	52,000	5,500	2.4
Metal products manufacturing	30,500	35,100	4,600	3
Health and community services	189,900	194,100	4,100	0.4
Electricity, gas, and water supply	7,900	10,800	2,900	7.2
Wood and paper products manufacturing	22,600	25,500	2,900	2.6
Chemicals manufacturing	19,000	20,400	1,400	1.4
Non-metallic mineral products manufacturing	7,400	8,500	1,100	3
Forestry and Logging	7,900	9,000	1,100	2.8
Textiles and apparel manufacturing	14,800	15,800	1,000	1.4
Communication services	26,600	27,400	900	0.6
Fishing	3,500	3,900	400	2.6
Printing, publishing, and recorded media	20,500	20,800	300	0.2

<sup>14</sup> The employment forecasts are the 12 months ended March for the stated year.

Furniture and other manufacturing	13,200	13,400	200	0.4
Mining and quarrying	7,600	7,500	-100	-0.4
Finance and insurance	57,800	57,500	-400	-0.2
Government admin. and defence	96,000	92,600	-3,400	-0.8
<b>Total</b>	<b>2,146,800</b>	<b>2,346,300</b>	<b>199,600</b>	<b>1.8</b>

Source: Department of Labour's employment forecasts. Figures may not sum exactly to totals due to rounding.

### 5.3 Employment forecasts by occupation

This section covers the employment forecasts by occupational groups. It begins with the occupations within the highly-skilled group of 'managers and professionals' and extends to lower-skilled 'elementary occupations'. The employment forecasts for most of the occupations in each group are positive, reflecting an expectation that growth in the labour market over the period 2010-15 is likely to be more balanced across a wide range of occupations.

Employment growth is forecast for almost all of the higher-skilled occupations, including the managers and professionals group. Particularly strong growth is forecast in the very large 'specialised managers' category, (up 41,400)<sup>15</sup>. Business professionals (up 9,900)<sup>16</sup>, and computing professionals (up 5,200) will also experience growth. Specialised managers alone are forecast to account for one-fifth of total job growth over the next five years.

Most occupations in the technicians and associate professionals group are also forecast to grow. These include professionals in the fields of finance and sales (up 10,200), arts, entertainment and sports (up 7,400), and social work (up 3,200).

The mostly semi-skilled occupations covering the clerical and service and sales workers groups are generally forecast to see a rise in employment, due partly to the positive employment forecasts for the service industries already noted. The biggest employment increases forecast over 2010-15 are for housekeeping and restaurant service workers (up 11,400), salespersons and demonstrators (up 8,300), and personal care workers (up 4,700). The latter category includes people associated with the expanding aged care industry, including nurse aides and caregivers. Employment falls are forecast for secretaries, data entry operators, and financial/accounting clerks.

There is a mostly positive employment outlook for agriculture-related occupations, trades workers, and plant and machine operator groups. The

<sup>15</sup> The 'specialised managers' category includes managers in fields such as IT, Human Resources, Sales & Marketing, Engineering, Finance, Advertising & Public Relations, Retail, and Construction. Specialised managers can comprise up to 25% of the workforce in some industries like accommodation, cafés, and restaurants or as little as 2-3% in agriculture. Approximately 90% of all managers fall within this category.

<sup>16</sup> The 'business professionals' category includes management consultants, accountants, financial advisors, market researchers, and workers in human resources and public relations.

positive employment forecast for the agriculture sector comprises employment growth forecast for market-oriented animal producers (up 10,900) and farmers and crop growers (up 4,200). Strong employment rises are also forecast for building frame trades workers (up 6,600), motor vehicle drivers (up 6,000), and machinery mechanics and fitters (up 3,300).

Amongst elementary occupations, the biggest employment gains over 2010-15 are forecast for labourers (up 7,100) and packers and freight handlers (up 3,100).

## 5.4 Opportunities for lower-skilled workers

While gains in employment over 2010-15 is forecast to occur in each main skill group, about 55% of the total increase (114,000 jobs) is forecast to occur amongst the higher-skilled occupations, including trades. However, a healthy segment (45% of the total increase) is forecast to be shared among semi-skilled and elementary-skilled occupations. These jobs are the ones more suitable to consider in terms of providing promising entry-level positions for those with limited skills or experience, such as youth or people in long-term benefit receipt.

Table 11 highlights which lower-skilled occupations are forecast to have the strongest job growth out to 2015. The fastest growing lower-skilled occupation, housekeeping and restaurant service workers, is notable for having a high proportion of youth (49% were under 25 years old in 2006) and is often an entry level occupation for young people. In percentage growth terms, labourers are forecast to have the strongest annual growth (3%). The construction sector is the largest employer of labourers.

**Table 11: Lower-skilled occupations with the largest forecasted employment growth, 2010-2015**

Occupation	2010	2015	Change (number)	Percent change per annum
Housekeeping and Restaurant Services Workers	85,500	96,900	11,400	2.6
Market-oriented Animal Producers	82,800	93,600	10,900	2.6
Salespersons and Demonstrators	109,500	117,900	8,300	1.6
Labourers	47,300	54,500	7,100	3
Motor Vehicle Drivers	43,200	49,200	6,000	2.8
Library, Mail, and Related Clerks	85,200	90,300	5,100	1.2
Personal Care Workers	48,000	52,700	4,700	2
Food and Related Products Processing Machine Operators	30,500	35,000	4,400	3
Market Farmers and Crop Growers	40,400	44,500	4,200	2
Cashiers, Tellers, and Related Clerks	32,300	36,300	4,000	2.4

Source: Department of Labour employment forecasts. Changes may not sum due to rounding. Note: The skills required for motor vehicle drivers will depend on the class of vehicle driven.

## 6. EMERGING JOB OPPORTUNITIES AND CHALLENGES

More opportunities for middle to lower-skilled workers are forecast to emerge over the 2010-2015 period than were seen during 2006-2010. In all, about 85,000 lower-skilled jobs are forecast to be included in an overall increase of about 200,000 jobs. The main industries likely to have greater opportunities for lower-skilled labour span a large area in retailing, accommodation, agriculture, food manufacturing, and construction. One sector with stronger employment growth forecast is agricultural food processing, where more lower-skilled labour will be required both at the 'paddock' end (i.e., in dairy farms) through to the food-processing firms that are projected to take on a greater supply of labour. This is likely to lead to more job openings both in rural farming areas (such as the Waikato and parts of the South Island) and also in the main urban centres in Auckland and Canterbury.

The employment forecasts also show that there is a transition occurring away from lower-skilled job openings in 'white collar' desk service jobs such as clerical and secretarial positions, along with administrative associate professionals possibly in health and education, towards those in more 'blue collar' service and labouring jobs. Contributing factors include the Canterbury rebuild, a rebound in primary and machinery export industries due to a lower New Zealand dollar relative to the Australian dollar, and recovering local and global consumer confidence.

This is a positive sign, and comes at a time where certain groups are struggling in the labour market, including youth and Māori and Pacific peoples. Retail and tourist related activities, for instance, are strongly oriented towards a younger workforce, so growth in this area looks to provide a range of openings for youth. The Rugby World Cup later this year will lead to some low skilled temporary job opportunities emerging and will result in some upskilling of existing hospitality workers.

However, there are some downsides. Given the current gender structure in industries such as manufacturing and construction, this trend in new job opportunities looks likely to be more beneficial for lower-skilled males than for lower-skilled females. Lower levels of employment growth in health and community services and education will also impact on the employment of higher-skilled women, given the high proportions of females in both industries.

It is also important to remember that the economy is currently in a weak state and the recovery has stalled. Moreover, most employment growth is unlikely to occur towards the middle and end of the 2010-2015 forecast period.

Forecasts, while illuminating, can only tell us so much. Events such as the devastating Canterbury earthquakes can never be anticipated. The impact of both earthquakes on the Canterbury, and national, labour markets cannot be understated. As of 4 April, 67,000 Canterbury workers were in receipt of government employment support. This figure represents about one-third of total non-Government employment in the Christchurch, Selwyn, and Waimakariri Districts. Of this total, almost 7,400 had lost their jobs as a result of the

February Canterbury earthquake and the remainder were still in employment as self employed or employees, supported by a Government subsidy. It will be very important to reconnect these people with employment as quickly as possible for two reasons:

1. People's skills can deteriorate very quickly when they are out of work.
2. Many higher-skilled people out of work have portable skills that they can take to other regions or overseas.

Employment opportunities will clearly emerge for construction workers to rebuild Canterbury, though there will be training implications to ensure that lower-skilled workers are able to take advantage of any job openings. However, it is important not to lose sight of the fact that any potential loss of higher-skilled workers could have a significant impact on the region's and nation's labour market and broader economic performance.

## **7. APPENDICES**

### **Appendix 1: Ministry of Social Development Benefit data**

Data presented is as at the end of each quarter (or month), and unadjusted for seasonal variations. Movements in benefit numbers during the recession do not necessarily follow the seasonal patterns seen in more usual times.

#### **The MSD Vacancy Data**

The labour supply side of the data reported here is gathered by Work and Income case managers from individual clients receiving an Unemployment Benefit. Work and Income clients fill out up to three separate work histories with their case managers, so may be included in the supply side of the data multiple times (as looking for work in several different occupations). Case managers are reliant on clients faithfully volunteering all previous employment history.

The 'not recently employed' response is the default response when the occupation field is not filled in at the data capture stage of the process. It is comprised of:

- youth who were not recently employed,
- those who had not worked recently,
- those who moved from the sickness benefit,
- those who moved from the ACC benefit, or
- data capture error.

The vacancy information is collected from the positions listed with Work and Income by employers. These employers may be directed to Work and Income through Work and Income Work Brokers; through existing industry partnerships, such as those with Horticulture and Viticulture; or through the Recognised Seasonal Employer (RSE) scheme.

## Appendix 2: Employment forecast methodology

### Forecasts

The Department's employment forecasts in this report cover employment growth by aggregated industries and also broad occupational groups at the national level. These forecasts have enabled the Department to identify those industries and occupations with the highest projected job growth over the medium-term (next five years).

The forecasts are based on a 'top down' model at a national level that does not capture regional events or sudden shocks directly, unless and until they have a national impact. The model incorporates a preliminary assessment of the overall impact of the two Canterbury earthquakes on economic growth (and by implication, employment growth) through recent (March 2011) revisions to GDP growth forecasts. This is discussed more fully in Appendix 3.

Employment forecasts are available by industry and by the occupations within each industry. In this report, industry level employment changes forecast have been adjusted to include currently available industry employment data up to the March 2010 year, allowing the Department to provide forecasts of employment changes over the five years from March 2010 to March 2015. The report also presents updated occupational forecasts at the national level.

The employment forecasts are based on an in-house CGE<sup>17</sup> model forecast of annual average GDP growth by sector, over the period from 2009 to 2015. Assumptions regarding changes in labour productivity by industries are made to convert these output forecasts into employment forecasts.

Apart from the earthquakes, the following initiatives and events may have an impact on employment but are only captured at an aggregate level in these forecasts:

- The action plan for the Government's Economic Growth Agenda, which will help stimulate productivity and growth for firms across the economy. It will also help stimulate growth in specific sectors such as petroleum, mining, aquaculture, and film production, but the specific timeline is yet to be developed;
- The Government's investment in infrastructure, as set out in the National Infrastructure Plan published in March 2010, which will help support employment in related industries, such as the construction and roading sectors, which is more amenable for capturing by using an input-output framework; and
- The Rugby World Cup (lead-up, hosting, and any flow-on effects in increased tourism and demand for New Zealand-produced goods and

---

<sup>17</sup> CGE (Computable General Equilibrium) models use actual economic data to estimate how the economy might react to changes in policy, technology or other external factors. This model provides employment forecasts for the year 2015 at the national level for the 53 industries in the CGE model, which is then aggregated to the 28 industries at the National Accounts level.

services in the years after the event) has been captured in the CGE model through an anticipated increase in tourism demand.

### **Appendix 3: Adjusting the Forecasts for the Canterbury Earthquakes**

The overall economic growth and resulting employment forecasts used in this report are broadly in line with the preliminary adjustments to GDP forecasts made by the Treasury in light of both the September Canterbury earthquake and the February aftershock. These adjustments are based on the Treasury GDP growth forecasts published in December 2010 (2010 HYEPU) and are subsequently revised in the March 2011 Economic Indicators report.

The revisions made by the official agencies as a result of the earthquakes see the 5-year average GDP growth over the 2010-15 forecast period declining from about 2.8% to 2.5% per annum, with lower growth projected for the 2011 and 2012 (March) years, followed by slightly higher growth in subsequent years as recovery activity builds momentum.

A complete picture of the industry and occupation level impacts of the earthquake will only be available after all economic and employment data for the recently completed 2011 March year is fully incorporated into the Department's model. This will not be possible until mid-2012, when this data becomes available.

It should also be noted that more detailed 'ground level' analysis underway in Canterbury (such as the joint Department- Canterbury Development Corporation labour market modelling programme) will provide a stronger basis for considering the immediate negative and likely medium-term positive employment effects of the Canterbury earthquakes.



DIP-11495-1-APP-11

