



EMPLOYMENT SNAPSHOT - CONSTRUCTION

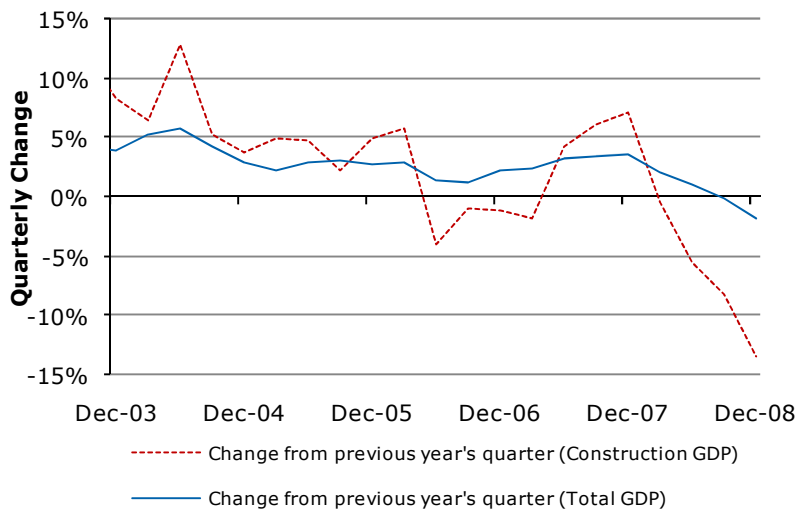
Overview – May 2009

Construction is the sixth largest employing industry in New Zealand with 173,700 workers (or 7.9% of the total workforce) as of December 2008¹. The construction industry is strongly connected with economic cycles and therefore can be susceptible to skill shortages as well as oversupply for some skills. Over the last five years, in line with the buoyant economy, the construction industry experienced robust employment growth.

The construction industry is divided into seven sub-industries, depending on the stage of construction rather than whether the work is in residential, non-residential or engineering/infrastructure. These sub-industries include: building construction; non-building construction; site preparation services; building structure services; installation trade services; building completion services; and other construction services².

Between 2003 and 2008, construction Gross Domestic Product (GDP) moved alongside overall GDP, as shown in Figure 2. However, construction GDP has dropped significantly since 2007. This reflects the nature of the industry and its relative exposure to changing economic conditions.

Figure 1: Total GDP and construction GDP change from previous year's quarter, (Dec 2003 – Dec 2008)



Source: NZIER Quarterly Predictions (March 09)

¹ Department of Labour Employment Estimates are calculated internally by extrapolating historical trends in employment as well as incorporating Linked Employer-Employee Data (LEED) from Statistics New Zealand.

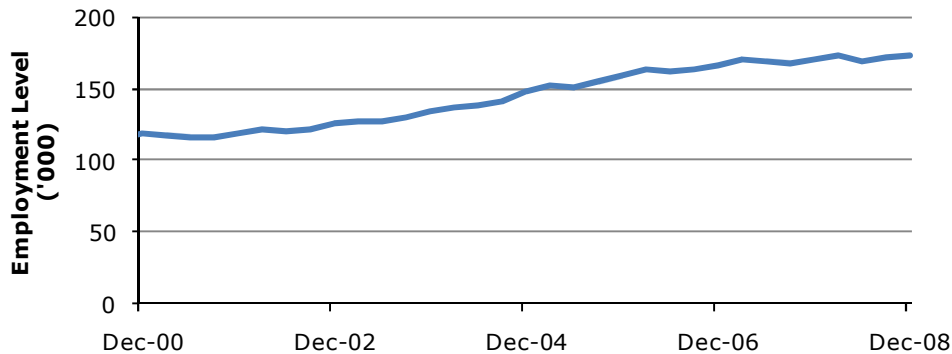
² Other construction services includes landscaping services, blind installation services and scaffolding construction.



Recent employment growth

In recent years, employment in the construction industry has shown very strong and sustained growth (see Figure 1). In the five years to December 2008, employment in construction rose by 39,300 (or 29%) to 173,700. This represents an annual average growth rate of 5.3% in the past five years, the largest increase in employment of all industries at the aggregated level.

Figure 2: Construction – Employment Level ('000) (Dec 2000 - Dec 2008)



Source: Department of Labour Employment Estimates

Employment in the construction industry is influenced strongly by the economic cycle and demand factors within the domestic economy. The residential property boom in the late 1990s and early 2000s stimulated employment in construction as house prices rose sharply, reflecting solid economic and population growth.

Table 1: Construction industry employment by sub-industries, Dec 2008 and employment growth (Dec 2003 – Dec 2008)

Industry	Employment (Dec 08)	Shares of Industry Employment	Employment Growth (Dec 03 - Dec 08)
Building Construction	49,900	28.7%	34.8%
Installation Trade Services	34,700	20.0%	21.3%
Building Completion Services	28,100	16.2%	12.5%
Non-Building Construction	25,400	14.6%	35.4%
Other Construction Services	13,200	7.6%	58.9%
Building Structure Services	11,800	6.8%	28.0%
Site Preparation Services	10,600	6.1%	40.9%
Total Construction	173,700	100%	29.2%
Total (All Industries)	2,207,200	100%	11.1%

Source: Department of Labour Employment Estimates

Table 1 shows that construction employment is dominated by building construction, which accounted for 49,900 workers (or 28.7% of the industry's employment) in December 2008. Installation trade services employed 34,700 workers and building completion services 28,100 workers (or 20.0% and 16.2% of industry employment respectively). A small share of total employment (10,600 or 6.1%) was in site preparation services.



In line with New Zealand's overall strong economic performance, the construction industry experienced significant employment growth (29.2%) from 2003 to 2008 (Table 1). However, employment growth was unevenly distributed within the industry. Although all construction sub-industries experienced employment growth above the national average, other construction services, and site preparation services experienced the largest increases in employment, (58.9% and 40.9% respectively).

Skills profile

Generally, employees in construction have lower levels of qualification attainment than the New Zealand average (Table 2).

Table 2: Qualifications held by employees within the construction industry, 2006³

Occupation	No Qualification	School Qualification	Vocational Qualification	Bachelor Degree or Higher
Building Frame and Related Trade Workers	43%	5%	43%	2%
Building Finishers and Related Trades Workers	51%	4%	37%	2%
Specialised Managers	43%	5%	34%	12%
Electricians	18%	5%	72%	1%
Building and Related Workers	57%	8%	25%	1%
All Occupations in New Zealand	19%	35%	27%	19%

Source: Census of Population and Dwellings, 2006

Qualification levels vary according to occupation within the construction industry. In 2006, we see from Table 2 that Specialised Managers within the construction industry had the highest portion of employees identifying as having bachelor degrees or higher, (12%). However, this was still below the national average of 19% for all occupations.

All of the five occupations above had vocational qualification levels above the national average, reflecting the nature of the construction industry.

Lower average qualifications may mean that construction employees are likely to experience difficulty in a time of high unemployment. Low educational attainment will also influence how these workers are trained in new processes or technologies. If laid off, they are likely to have restricted employment prospects, and they will be competing for jobs with more qualified applicants from other industries.

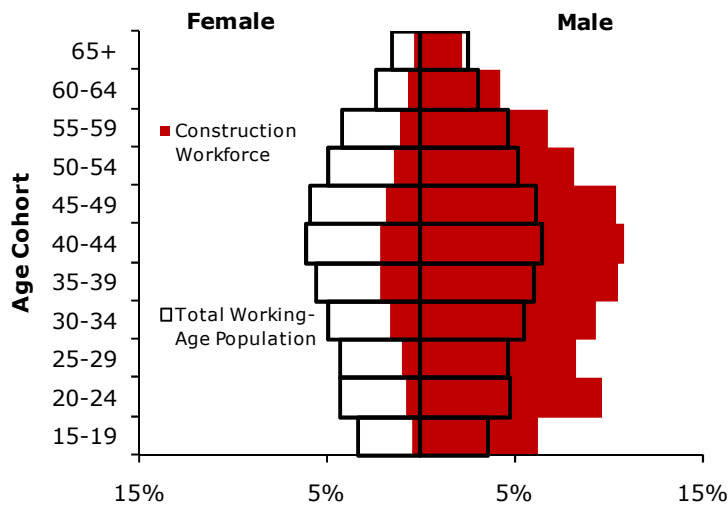
³ Percentages may not add to 100%, due to rounding



Age/gender profile

The construction workforce is predominantly male, with males accounting for 86.7% of industry employment. Construction has the second smallest share of female employment of all industries at the aggregated level. From the 2006 Census, the latest date for which data is available, females made up 13.3% of the construction industry workforce, compared with the average of 47.1% for all industries. Such a large disparity reflects in part the nature of work within construction, and the traditional role that males have played in the industry.

Figure 3: Age and gender profile of construction industry employees compared to the working age population, 2006



Source: 2006 Census of Population and Dwellings

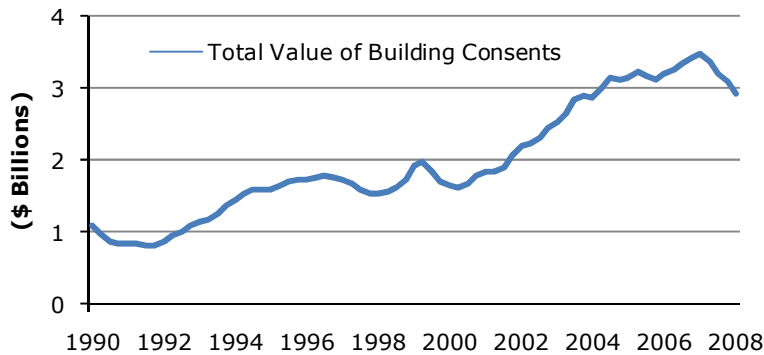
Industry outlook: building consents issued

The value of building consents issued gives an indication of the future prospects for the construction industry. For the year ended March 2009, consents were issued for 16,234 new dwelling units, a 34% fall from the year end March 2008. Building consents for apartments, however, fell by only 1% in the same time period.

The total value of building consents issued began falling in June 2007, and has continued to fall since. For the year end March 2009, residential building consents valued at \$5,633 Million were issued, a 26% decrease from the March 2008 year.



Figure 4: Value of total building consents issued



Source: Statistics New Zealand, Building Consents Issued, March 2009

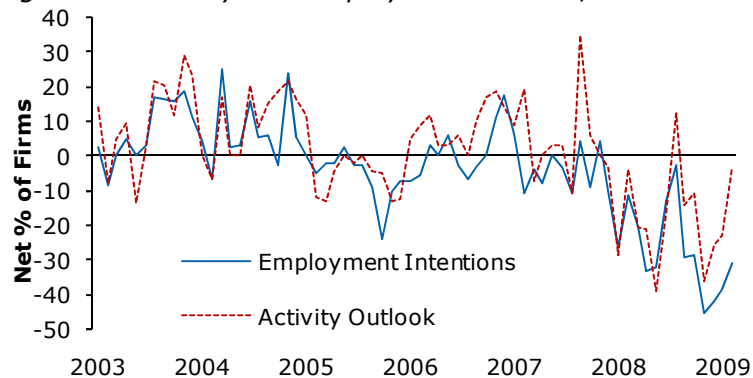
Employer perspectives

With businesses and consumers feeling the pinch of the current recession, spending on new building construction and non-essential construction is decreasing. This is likely to have flow on effects because of the linkages between industries.

In the April 2009 National Bank Business Outlook (see figure 5), a net 31% of construction firms intended to employ fewer staff in the following year, the second worst outlook for the firms surveyed, following retail trade.

Yet according to the same survey, the business activity outlook in construction was only slightly negative. A net 4% of employers within the industry expect business activity to decline over the coming year.

Figure 5: Activity and employment outlook, construction



Source: National Bank Business Outlook, April 2009



Forecast employment

The Department of Labour prepares periodic updates of employment projections for industries and occupations for the next five years⁴. These are based in part on the GDP forecasts by industry produced by the New Zealand Institute of Economic Research, but also take into account recent productivity trends within industries. It should be noted that a certain degree of uncertainty is attached to these industry employment projections which are often influenced by changes to industry prospects.

In the five years to 2013, employment in the construction industry is expected to decline by about 2.3% per annum. This compares with an annual average forecast growth rate of 0.8% across all industries over the same period. Projected decline is in strong contrast to the growth in the past five years. The construction industry has flow through effects on other industries, including manufacturing, retail trade and wholesale trade.

Summary

After several years of strong growth, the construction industry now appears vulnerable to future employment losses as building consents and construction activity fall due to recessionary pressures.

⁴ Department of Labour Employment Projections, 2008-2013