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# Short-term Employment Prospects:

2012-2014



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# **SHORT-TERM EMPLOYMENT PROSPECTS: 2012-14**

## **Purpose**

Employment prospects to the 2014 March year are set out in this paper, broken down by industry, occupation and region. These employment forecasts will be used to inform the Department's near-term policy advice, particularly with regard to welfare reform.

The Department has developed a short-term forecasting model, which draws on the latest macroeconomic forecasts by the Treasury and the Reserve Bank, to provide more detailed information on the labour market.<sup>1</sup>

## **Key points**

- Employment will increase gradually, growing by 1.1% (or 24,400 jobs) in the 2012 March year, by 1.8% (or 39,600 jobs) in the 2013 March year and by 2.4% (54,100 jobs) in the 2014 March year.
- Over the 2013 and 2014 March years, employment is expected to grow by 93,700 jobs.
- The unemployment rate is expected to trend down slowly over the entire period, to below 6.0% by March 2013 and to 5.4% by March 2014.
- Strong employment growth is expected in the primary processing, construction and utilities industries, and will be strongest in highly skilled jobs (that is, managers and professionals).
- Opportunities for lower-skilled workers are expected to account for more than one-third of the employment growth over the period – about their current share of the workforce. The food processing, retailing, accommodation, agriculture and construction industries are expected to create most of these opportunities.
- Employment growth will be strongest in the Auckland region, driven by growth in wholesale and retail trade, transport and storage and business services which are employment intensive industries and in the Canterbury region mainly in construction related activities.
- The global economic outlook remains volatile. Continued uncertainty and concerns that the Eurozone will fall into a mild recession in 2012 will dampen New Zealand's export sector, although the Canterbury rebuild will generate its own stimulus for the economy.

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<sup>1</sup> Forecasts completed in February 2012 using Treasury's Budget Policy Statement (February 2012) and the Reserve Bank's Monetary Policy Statement (December 2011).

## **The economic recovery is expected to continue...**

The Treasury's latest forecast shows the economy expanding by 1.8% in the year to March 2012, then by 2.8% in the year to March 2013 and by 3.8% in the year to March 2014, once the Canterbury rebuild gears up (see Table 1).

The global economy deteriorated significantly over the second half of 2011. Advanced economies are now slowing down and concerns about sovereign debt and stability are becoming increasingly widespread. In particular, there is concern that the Eurozone will fall into recession in 2012, albeit mild. Emerging economies, such as China, are still growing at a healthy rate, but this growth is also slowing—a trend that is expected to continue. As stated in the OECD's Economic Outlook (November 2011), "the global economy is not out of the woods yet".<sup>2</sup>

Despite global economic uncertainty, prices for New Zealand's exports remain high and businesses remain confident. The Rugby World Cup provided some temporary stimulus for domestic consumption and services exports in the second half of 2011. However, the strong likelihood of slowing trading partner growth and on-going global economic uncertainty are likely to stall export growth.

The Canterbury rebuild will provide a significant boost to employment growth over the next few years. The Treasury's latest damage estimates are \$20 billion (up from \$15 billion).<sup>3</sup> This will provide a powerful offset to the effects of the weaker global economy. As much of the rebuild cost will be met from insurance claims, this activity is likely to be unaffected by the deteriorating global outlook. However, the precise timing of the rebuild remains uncertain, with the earthquakes in late 2011 likely to lead to further delay.

**Table 1: GDP forecast employment growth and productivity changes (March years)**

<b>Annual average percentage change</b>	<b>2012 (%)</b>	<b>2013 (%)</b>	<b>2014 (%)</b>
GDP (Treasury)	1.8%	2.8%	3.8%
Productivity (DoL)	0.7%	1.0%	1.4%
Employment (DoL)	1.1%	1.8%	2.4%

Source: Treasury; DoL Short-term employment model

## **...with a modest recovery in the labour market...**

Employment grew by 1.6% in the year to December 2011 and is expected to continue to recover over the forecast period. We expect employment to grow by 1.1% in the 2012 March year, by 1.8% in the 2013 March year and by 2.4% in the 2014 March year (see table 1). This employment growth is associated with the expected rise in GDP growth forecast by the Treasury along with a steady and appreciable increase in productivity.

<sup>2</sup> Source: <http://www.oecd.org/dataoecd/2/55/49112261.pdf>

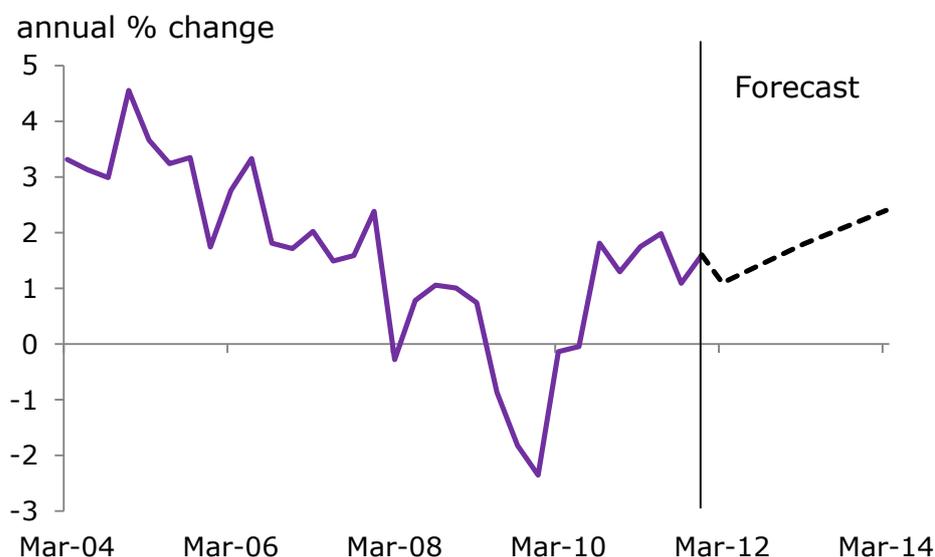
<sup>3</sup> Source: Pre-election Economic and Fiscal Update (2011)

Employment is expected to increase from 2,183,000 in the 2011 March year to 2,301,000 in the 2014 March year. About 94,000 new jobs are expected to be created during the 2013 and 2014 March years, which includes a modest recovery initially in the labour market followed by a stronger outlook. This is still well below the pre-recession employment growth rate (see Figure 1).

This employment growth excludes job opportunities that will arise as older workers retire. The Department estimates that this 'retirement demand' is likely to be about 50,000 jobs per year over the coming years.<sup>4</sup> This means that while 24,000 new jobs could be created in the 2012 March year, another 50,000 people may be required to replace those retiring from the labour force.

Modest growth in employment will do little to absorb excess labour supply in 2012. However, as employment growth strengthens over 2013-14, the unemployment rate is expected to drop to 5.4% by March 2014 (see Figure 2).

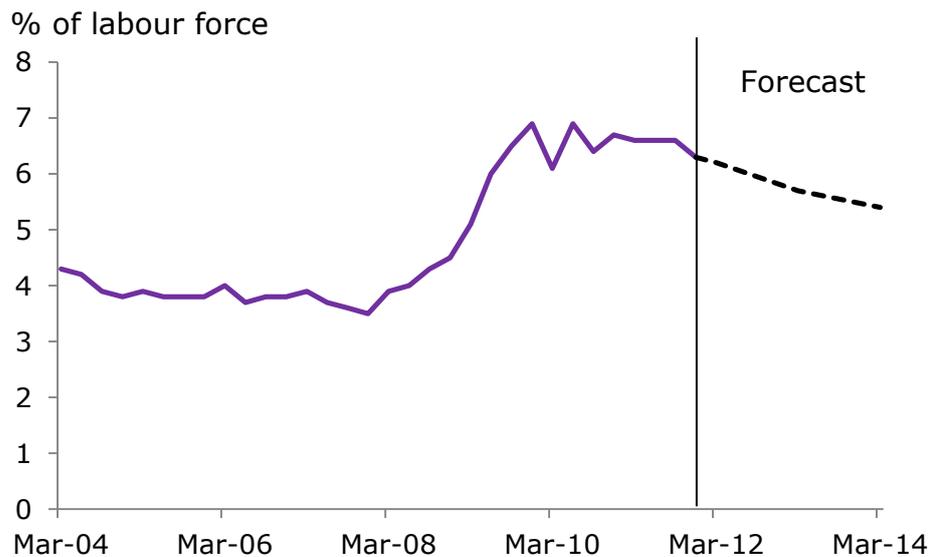
**Figure 1: Employment growth**



Source: HLFS, Statistics New Zealand; Department of Labour forecasts

<sup>4</sup> Source: <http://www.dol.govt.nz/services/LMI/tools/skillsinsight/forecasting-narratives/retirement/>

**Figure 2: Unemployment rate**



Source: HLFS, Statistics New Zealand; Department of Labour forecasts

**...with strong growth in specific industries...**

We expect employment growth in the primary industry and in primary processing activities to continue to be strong, and the construction and property services industries to recover considerably over this period (see table 2). The Canterbury rebuild and other significant projects across New Zealand is forecast to drive the recovery in construction related employment by about 6% in the 2013 March year and by about 11% in the 2014 March year.

**Table 2: Employment growth by industry, March years**

Industry	2012		2013		2014	
	(000)	(%)	(000)	(%)	(000)	(%)
Primary sector	2.5	1.6%	2.9	1.8%	3.2	1.9%
Primary processing	1.6	1.7%	1.4	1.5%	2.3	2.3%
Other manufacturing	2.1	1.3%	3.0	1.9%	3.3	2.0%
Construction and utilities	0.7	0.4%	10.7	5.8%	21.7	11.2%
Other private services <sup>5</sup>	12.2	1.3%	16.2	1.7%	18.8	2.0%
Core government sector	-0.2	-0.2%	-0.9	-1.0%	-0.7	-0.8%
Health and education	3.9	0.9%	4.9	1.2%	2.5	0.6%
Other public services	1.6	1.1%	1.3	0.9%	3.1	2.0%
<b>Total</b>	<b>24.4</b>	<b>1.1%</b>	<b>39.6</b>	<b>1.8%</b>	<b>54.1</b>	<b>2.4%</b>

Source: DoL Short-term employment model

<sup>5</sup> Employment growth in retail trade which is part of 'other private services' is forecast to grow by between 2.0% and 2.5% over the 2013 and 2014 March years. While wholesale trade is expected to grow by between 2.0% and 3.0% over the same period.

Over the forecast period, employment growth is expected to be strong in the primary processing, other manufacturing, construction and utilities and other private service industries (see Table 2).

### **...and in highly skilled jobs...**

During the 2013 and 2014 March years, employment growth will be strongest in highly skilled jobs (see Table 3). Employment growth through this period is expected to be weakest for semi-skilled jobs (namely clerical and some service and primary sector workers).

The anticipated growth in highly skilled jobs is reflected in the latest Jobs Online which shows that skilled job vacancies increased by 9.6% in the year to February 2012.

The stronger demand for skilled (trades workers in particular) and elementary skilled workers (such as building labour) during the 2014 March year in particular (even higher than for highly skilled) is mainly attributed to the Canterbury rebuild and remedial building activities for weather tightness in many other regions across New Zealand.

**Table 3: Employment growth by skill level, March years**

Skill-level	2012		2013		2014	
	(000)	(%)	(000)	(%)	(000)	(%)
Highly skilled	13.0	1.8%	15.9	2.2%	17.7	2.4%
Skilled	4.4	0.9%	10.1	2.1%	16.1	3.3%
Semi-skilled	4.0	0.6%	7.3	1.1%	9.4	1.4%
Elementary skilled	3.0	0.9%	6.3	1.9%	10.9	3.3%
<b>Total</b>	<b>24.4</b>	<b>1.1%</b>	<b>39.6</b>	<b>1.8%</b>	<b>54.1</b>	<b>2.4%</b>

Source: DoL Short-term employment model and occupational/skill decomposition

### **...with opportunities for lower-skilled workers**

Opportunities for lower-skilled workers (that is, semi-skilled and elementary workers) are expected to account for about 37% (or 35,000 workers) of the total employment growth of 93,700 during the 2013 and 2014 March years.

The main industries likely to have the greatest opportunities for lower-skilled workers include food processing, retailing, accommodation, agriculture and construction. These industries have particular importance for younger workers (15-24 year olds). In 2011, approximately 19% of younger workers were employed in retail trade, 16% in accommodation and food services, 10% in manufacturing and 7% in agriculture, forestry and fishing.

Retirement demand will be spread across all skill levels but will be slightly higher among highly-skilled workers (see Table 4); therefore there will be some opportunities for lower-skilled people to replace retiring workers and transition into work.

**Table 4: Retirement demand by skill-level, average 2011-16<sup>6</sup>**

Skill-level	2011-16	
	(000)	(%)
Highly-skilled	18	2.4%
Skilled	11	2.2%
Semi-skilled	14	2.0%
Elementary skilled	7	2.2%
<b>Total</b>	<b>50</b>	<b>2.2%</b>

Source: DoL Cohort component model using 5-yearly Census age cohorts

## Auckland and Canterbury will drive employment growth

Over the 2013 and 2014 March years, employment growth in Auckland and Canterbury is expected to drive national growth (see Table 5).

Auckland will continue to underpin national employment growth over the forecast period due to growth in a number of industries that are concentrated in the region (wholesale and retail trade, transport and storage and business services). Annual employment growth of 2.0% over the period in the Auckland region will be more than enough to absorb growth in the working-age population.<sup>7</sup> Labour force participation is likely to remain high, which will lead to a muted impact on the unemployment rate.

Canterbury will also contribute to national employment growth as the rebuild gets underway. This is reflected in strong regional growth in employment (about 27,000) over the two years to the 2014 March year with most of this growth (about 21,000) over these two years in construction related activities. (see Tables 5 and 6).

**Table 5: Employment growth by region, 2013 and 2014 March years**

Region	Total Over period (000)	Average Per year (%)
Northland	1.1	0.8%
Auckland	26.6	2.0%
Waikato	4.7	1.5%
Taranaki	2.5	1.2%
Bay of Plenty	5.4	1.8%
East Coast	3.4	1.7%
Central	3.6	1.5%
Wellington	2.1	0.4%
Nelson	3.8	2.0%
Canterbury	27.3	4.4%
Southern	13.2	3.1%
<b>Total</b>	<b>93.7</b>	<b>2.1%</b>

Source: DoL Short-term employment model and regional decomposition

<sup>6</sup> Source: <http://www.dol.govt.nz/services/LMI/tools/skillsinsight/forecasting-narratives/retirement/>

<sup>7</sup> Working-age population growth in Auckland is expected to be about 1.7% p.a. for 2011-16

**Table 6: Regional Employment growth by industry, 2013 and 2014 March years**

Industry	Auckland		Canterbury	
	Total Over period (000)	Average Per year (%)	Total Over period (000)	Average Per year (%)
Primary sector	1.3	1.4%	0.5	1.4%
Primary processing	1.1	2.6%	0.6	2.0%
Other manufacturing	2.6	2.0%	0.8	1.5%
Construction and utilities	3.4	3.2%	20.7	38.2%
Other private services <sup>8</sup>	13.2	2.0%	4.3	1.6%
Core government sector	0.04	0.1%	0.3	1.4%
Health and education	3.1	1.3%	0.1	0.1%
Other public services	1.9	2.1%	0.02	0.0%
<b>Total</b>	<b>26.6</b>	<b>2.0%</b>	<b>27.3</b>	<b>4.4%</b>

Source: DoL Short-term employment model and regional decomposition

### Caveats

These forecasts are based on Treasury's February 2012 Budget Policy Statement and the Reserve Bank of New Zealand's December 2011 Monetary Policy Statement. The risks associated with these forecasts for the short-term are skewed to the downside.

<sup>8</sup> Employment growth in retail trade which is part of 'Other private services' is forecast to grow by between 2.0% and 2.5% over the 2013 and 2014 March years. While wholesale trade is expected to grow by between 2.0% and 3.0% over the same period.

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