

Quarterly Labour Market Report

May 2014



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INNOVATION & EMPLOYMENT**
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Executive summary

New Zealand's economic recovery is translating into robust employment growth. In the Household Labour Force Survey, total employment increased by 84,000 (3.7 per cent) between March 2013 and March 2014. This represents the largest annual employment increase since December 2004.

The increased employment is mostly in full-time positions. Over the quarter, full-time employment increased by 19,000 (1.1 per cent), while part-time employment increased by 2,000 (0.3 per cent).

Table 1: Key labour market indicators (seasonally adjusted)

Indicator	March 2014	Quarterly change	Annual change
Employed	2,318,000	+ 22,000 (0.9%)	+ 84,000 (3.7%)
Unemployed	147,000	No change	- 2,000 (1.3%)
Hours worked	78,155,000	+ 2,085,000 (2.7%)	+ 2,468,000 (3.3%)
Participation rate (%)	69.3	+ 0.4 pp.	+ 1.4 pp.
Employment rate (%)	65.1	+ 0.4 pp.	+ 1.4 pp.
Unemployment rate (%)	6.0	No change	- 0.2 pp.

Source: Statistics New Zealand

Auckland and Canterbury account for most employment growth, but they are not the only drivers. In percentage terms, growth was strongest in the Bay of Plenty, where employment increased by 12.4 per cent over the year (representing an additional 13,600 employed). Otago and Northland also saw significant employment growth over the year.

The labour force participation rate stands at 69.3 per cent, its highest level since the series began in 1986. The 30-39 age groups showed significant increases in their participation over the year, while 50 plus age groups continue long-term upward trends.

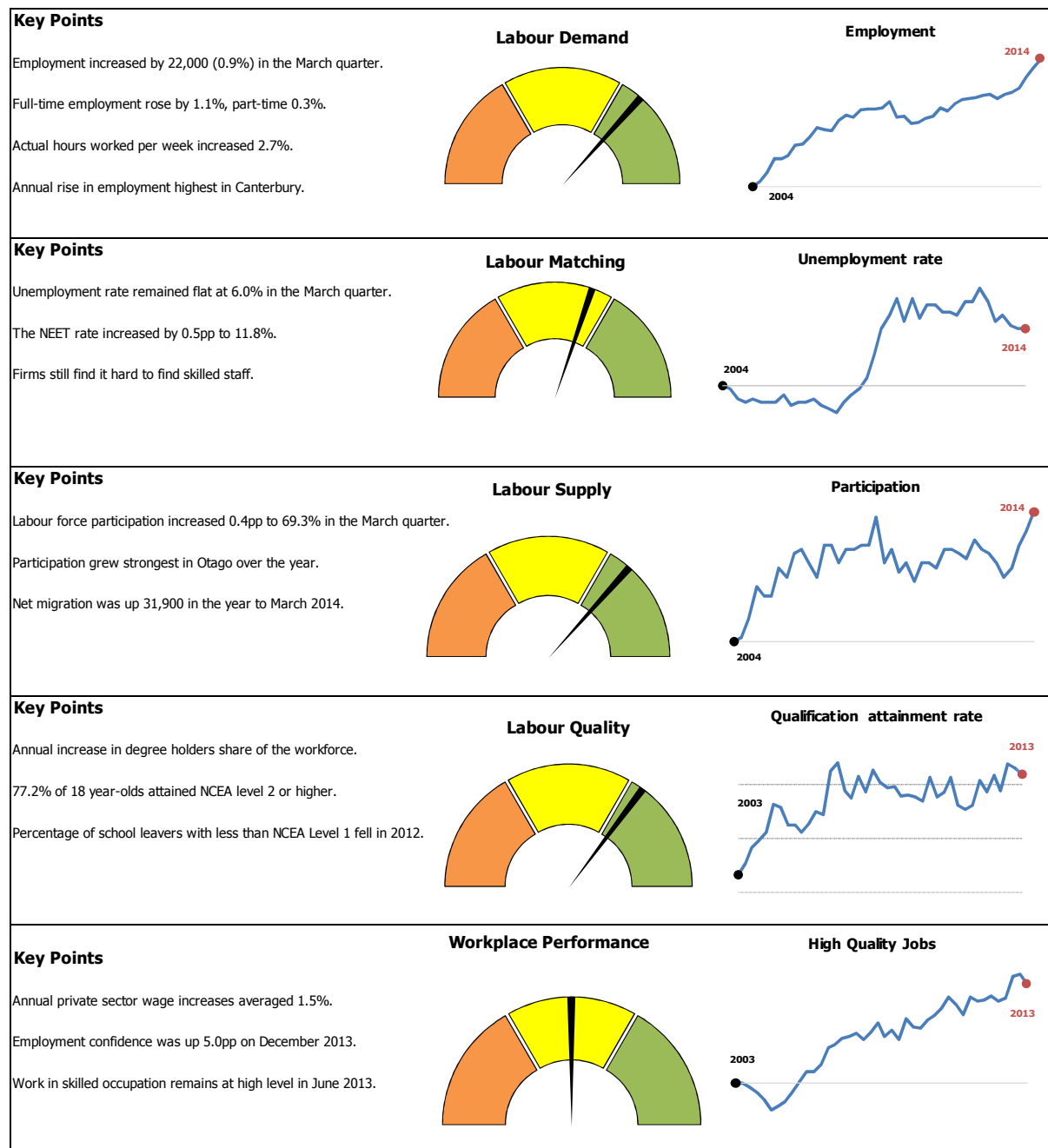
The increase in labour force participation is accommodating the rise in employment demand, so that the unemployment rate is unchanged at 6.0 per cent over the quarter.

Table 2: Short-term labour market forecasts (year ending March, or March quarter)

	Actual	Forecast	
	2014	2015	2016
Employment growth (AAPC)	2.8	2.7	2.6
Participation rate (%)	69.3	69.5	69.9
Employment rate (%)	65.1	66.0	66.6
Unemployment rate (%)	6.0	5.0	4.8

Source: Ministry of Business, Innovation and Employment

Labour markets in a nutshell



Source: Ministry of Business, Innovation and Employment

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ECONOMIC OUTLOOK

New Zealand's economic prospects are positive. Global activity is gathering momentum and demand for New Zealand's exports remains high. Business confidence is at near-record levels, generating increased hiring and investment intentions.

Global economic trends

The global economy continues to strengthen. The International Monetary Fund forecasts world output growth of 3.6 per cent in 2014, increasing to 3.9 per cent in 2015.¹ Growth is expected to be led by advanced countries, with improving business conditions in the United States, United Kingdom and Japan. The Euro area, while weak, is no longer in recession. The outlook for emerging markets and developing countries is mixed, but still generally positive. China's prospects continue to be influential for Australia's and New Zealand's economic growth.

Figure 1: Forecast GDP growth for New Zealand and major trading partners



Source: International Monetary Fund

Strengthening global conditions have supported robust demand for New Zealand exports. Over the March 2014 quarter, the value of New Zealand's merchandise exports increased a seasonally-adjusted 2.1 per cent, led by rising volume of meat and edible offal (New Zealand's second largest export commodity group).

¹ International Monetary Fund (April 2014), *World Economic Outlook: Recovery Strengthens, Remains Uneven*, <http://www.imf.org/external/pubs/ft/weo/2014/01/>

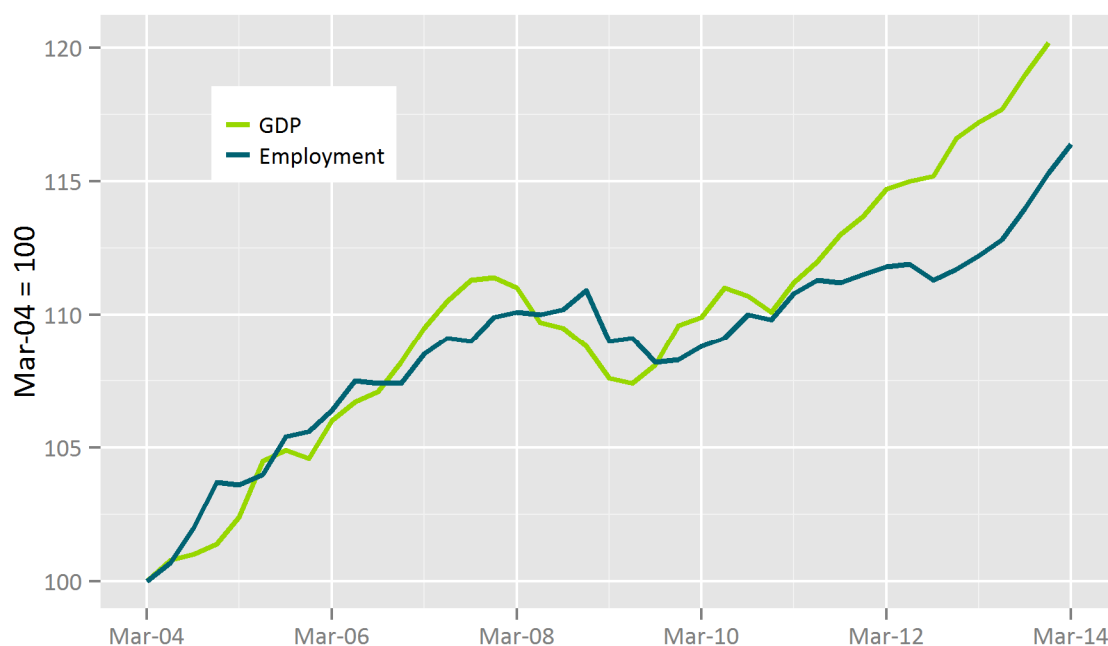
Domestic economic trends

New Zealand's GDP grew 0.9 per cent in the December 2013 quarter, following a 1.2 per cent rise in September. Employment growth has lagged behind GDP growth since the start of the recovery in 2009. This divergence is likely due to high output growth for industries with low labour intensity, such as agriculture, at the start of the recovery. The past six months have seen rapid employment growth that is consistent with increasing output in high labour intensity industries (such as construction and manufacturing).

The industries experiencing the largest changes in economic activity in the December 2013 quarter were:

- **Manufacturing** (up 2.1 per cent), driven by increased activity in food, beverage and tobacco manufacturing.
- **Wholesale trade** (up 3.2 per cent), due to increased machinery and equipment wholesaling.
- **Business services** (down 2.1 per cent), due to decreased architectural and engineering services.
- **Agriculture, forestry and fishing** (down 2.0 per cent), due mainly to a fall in dairy and livestock production.

Figure 2: GDP and employment indices



Source: Statistics New Zealand

Business confidence is at historically high levels, and this confidence is being realised in investment and hiring decisions. There is a general expectation that New Zealand's economy will continue to strengthen. The latest NZIER Consensus Forecasts expect annual GDP growth to increase from 2.9 per cent in the year ending March 2014 to 3.6 per cent in the year ending March 2015.

EMPLOYMENT TRENDS

The number of people employed in New Zealand increased by 22,000 (0.9 per cent) over the March 2014 quarter, and by 84,000 (3.7 per cent) over the year. This represents the largest annual employment increase since December 2004.

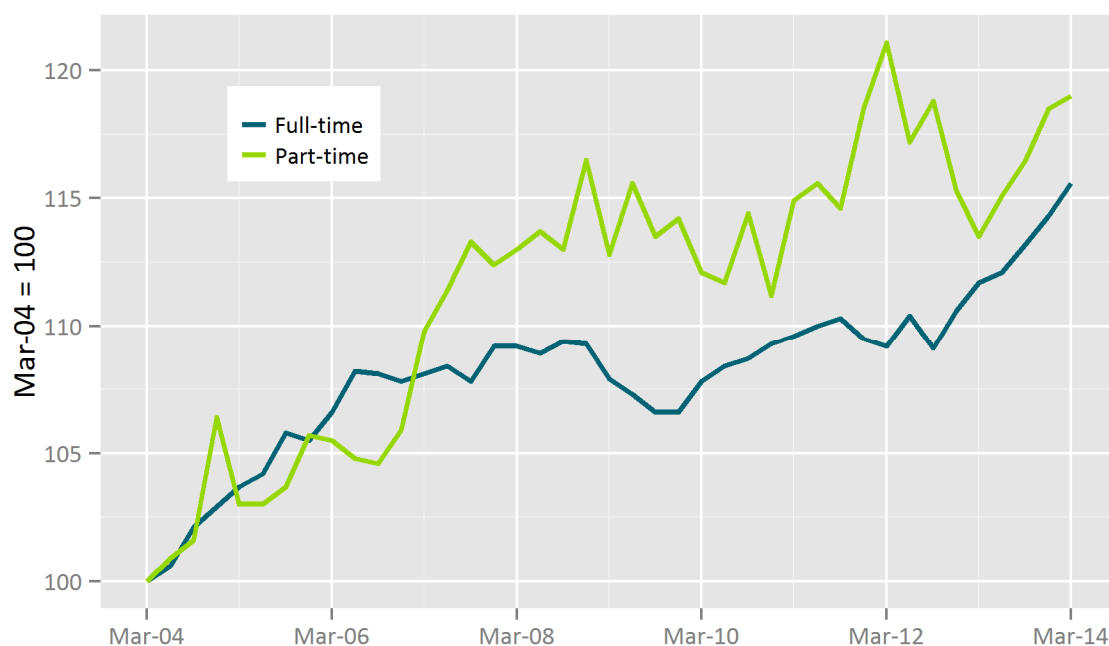
The employment rate for March 2014 is 65.1 per cent, up 0.4 percentage points over the quarter and 1.4 percentage points over the year. This is the highest the employment rate has been since December 2008.

Employment by full-time/part-time status

Most of the quarterly increase was in full-time employment, up by 19,000 (1.1 per cent). Part-time employment increased by 2,000 (0.3 per cent) over the quarter. Over the year, full-time employment increased by 60,000 (3.5 per cent) and part-time employment by 23,000 (4.7 per cent).

During the recovery following the recession, growth in full-time employment was low, while growth in part-time employment was relatively higher, but more erratic. Figure 3 shows steep growth in both part-time and full-time employment in recent quarters.

Figure 3: Full-time and part-time employment indices



Source: Statistics New Zealand

Employment by industry

At an industry level, the largest contributors to employment growth for the year ending March 2014 were:

- **Construction**, up 24,400 or 14.2 per cent.
- **Professional, scientific, technical, administrative and support industries**, up 17,700 or 7.0 per cent.
- **Retail trade and accommodation**, up 17,100 or 4.9 per cent.
- **Wholesale trade**, up 14,100 or 16.5 per cent.

The following industries saw the biggest drops in employment over the past year:

- **Information, media and communications**, down 7,000 or 15.0 per cent.
- **Public administration and safety**, down 3,300 or 2.7 per cent.

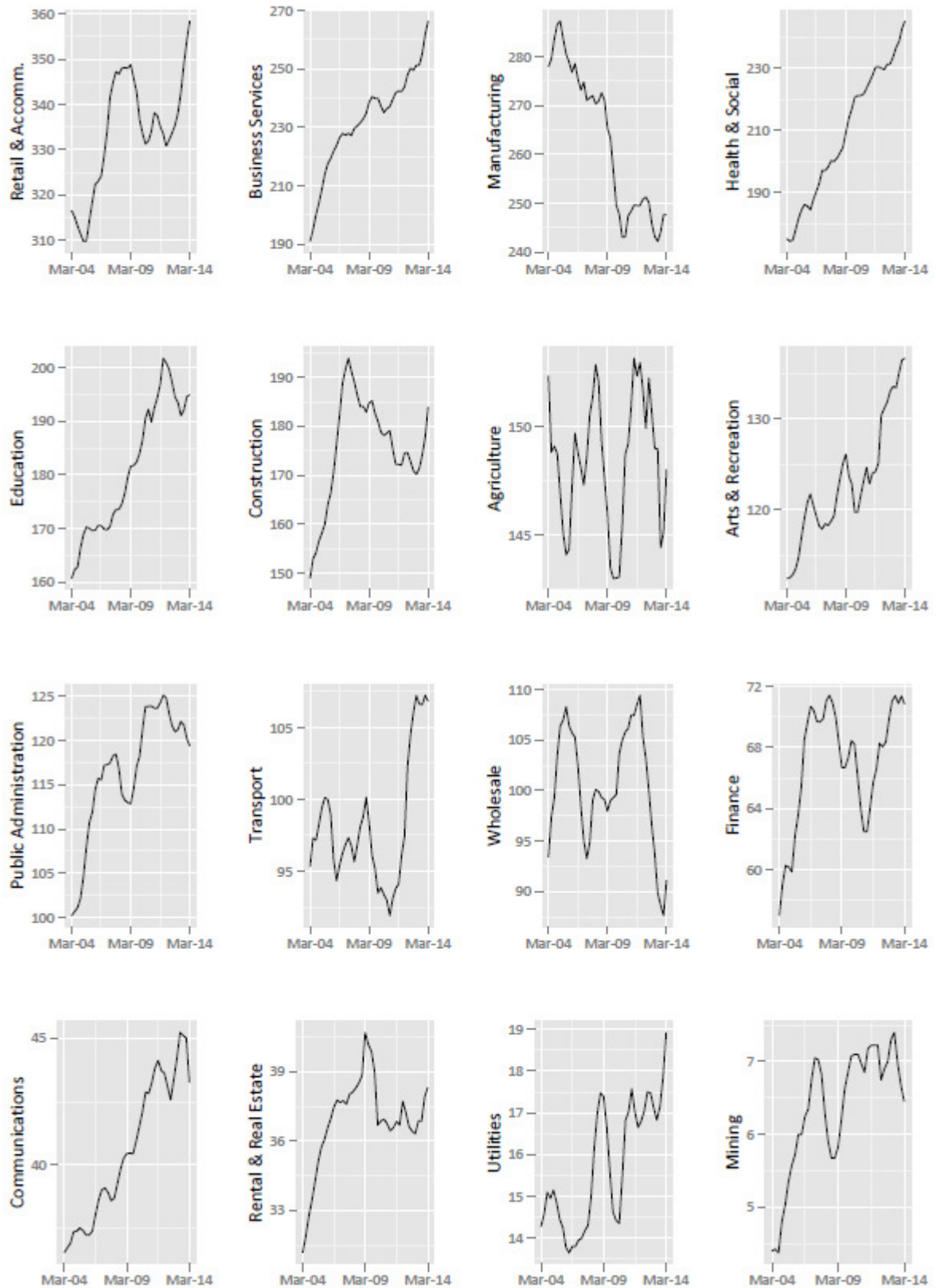
Figure 4 places the latest results in historical context. Employment in construction has shown a sharp increase since 2012, although has not yet returned to the cyclical peak employment levels seen in 2006. Employment in the business services sector has increased at a rate similar to pre-2008 levels. The retail trade and accommodation and food services sector has shown strong growth since 2011, with employment now exceeding pre-recession levels.

Table 3: Employment by industry (not seasonally adjusted)

Industry	Employment (March 2014)	Annual change
Agriculture, forestry and fishing	156,800	+ 11,600 (8.0%)
Mining	7,000	- 900 (11.4%)
Manufacturing	246,000	- 200 (0.1%)
Electricity, gas, water and waste services	20,100	+ 4,300 (27.2%)
Construction	196,100	+ 24,400 (14.2%)
Wholesale trade	99,700	+ 14,100 (16.5%)
Retail trade and accommodation and food services	364,700	+ 17,100 (4.9%)
Transport, postal and warehousing	105,700	- 1,600 (1.5%)
Information, media and telecommunications	39,600	- 7,000 (15.0%)
Financial and insurance services	72,000	- 2,100 (2.8%)
Rental, hiring and real estate services	39,700	+ 1,600 (4.2%)
Professional, scientific, technical, administrative and support services	271,800	+ 17,700 (7.0%)
Public administration and safety	119,300	- 3,300 (2.7%)
Education and training	190,400	+ 1,400 (0.7%)
Health care and social assistance	245,900	+ 9,800 (4.2%)
Arts, recreation and other services	142,700	+ 800 (0.6%)
TOTAL	2,323,900	+ 84,100 (3.7%)

Source: Statistics New Zealand

Figure 4: Employment by industry (thousands, annual averages)



Source: Statistics New Zealand **Note:** Industries are arranged in descending order of total employment. Business services refers to the Professional, Scientific, Technical, Administrative and Support industry. Communications refers to the Information, Media and Telecommunications industry. Utilities refers to the Electricity, Gas, Water and Waste industry.

Employment by region

While employment growth remains strongest in Auckland and Canterbury, other regions also show positive outcomes. In the year ending March 2014:

- Employment in **Auckland** increased by 30,800 (37 per cent of New Zealand's annual employment growth). This increase mostly comes from rising employment in retail trade, accommodation and food services (up 13,800) and professional, scientific, technical, administration and support services (up 11,100).
- Employment in **Canterbury** increased by 29,100 (35 per cent of total growth). This increase is driven by rising employment in construction (up 11,900) and retail trade, accommodation and food services (up 11,900).
- For **All Other Regions**, employment increased by 24,200 (29 per cent of total growth). For these regions, growth was strongest in Bay of Plenty (up 13,600) and Otago (up 9,100) and weakest in Southland (down 5,200), followed by Taranaki (down 2,800).

Canterbury now has New Zealand's highest employment rate (69.9 per cent), followed by Wellington (69.2 per cent). The employment rate for Canterbury is at its highest levels since the series began in 1986. While Northland continues to have New Zealand's lowest employment rate (57.9 per cent), it has shown significant improvement over the year (up 3.6 percentage points), as has Bay of Plenty (up 4.3 percentage points to 61.7 per cent).

Table 4: Employment by region (not seasonally adjusted)

Region	Employment (March 2014)	Annual change	Employment rate (%) (March 2014)	Annual change (percentage points)
Northland	70,400	+ 4,600 (7.0%)	57.9	+ 3.6
Auckland	748,000	+ 30,800 (4.3%)	64.4	+ 1.9
Waikato	203,000	+ 6,500 (3.3%)	65.2	+ 0.4
Bay of Plenty	123,600	+ 13,600 (12.4%)	61.7	+ 4.3
Gisborne/Hawke's Bay	102,100	- 1,900 (1.8%)	60.8	- 0.3
Taranaki	61,400	- 2,800 (4.4%)	64.8	- 4.2
Manawatu-Wanganui	109,700	- 400 (0.4%)	59.2	- 1.8
Wellington	274,900	- 1,200 (0.4%)	69.2	+ 2.8
Tasman/Nelson/Marlborough/West Coast	95,900	+ 1,900 (2.0%)	64.1	- 1.0
Canterbury	356,900	+ 29,100 (8.9%)	69.9	+ 2.5
Otago	126,900	+ 9,100 (7.7%)	68.0	+ 2.6
Southland	51,000	- 5,200 (9.3%)	68.9	- 2.6
TOTAL	2,323,900	+ 84,100 (3.7%)	65.2	+ 1.4

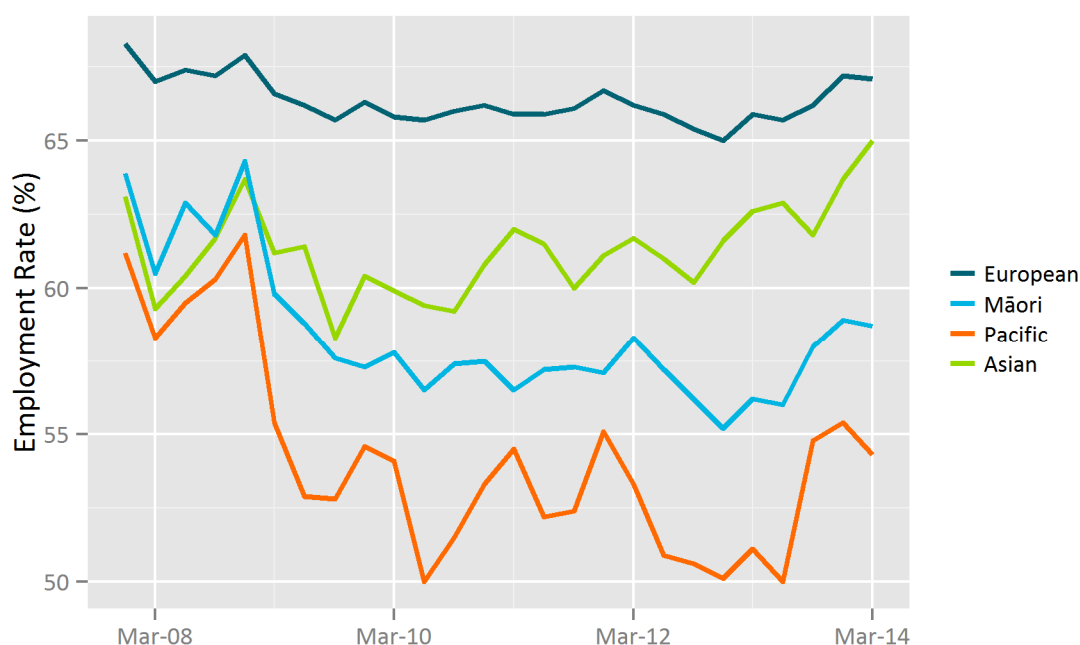
Source: Statistics New Zealand

Employment by ethnicity

Over the year, all major ethnic groups saw improved employment outcomes. Pacific people's employment numbers increased by 7,900 (an 8.1 per cent increase), while Māori employment rose by 14,500 (5.8 per cent). Asian employment rose by 11,100 (4.1 per cent), and European employment by 49,900 (2.9 per cent).

While Māori remain the second-largest ethnic group in terms of population, since December 2012 Asians have been larger in terms of employment (there are currently 265,700 employed Māori and 279,000 employed Asians). This is an effect of divergent employment rates, although in the past year the employment rates for both Māori and Pacific peoples showed sharp increases.

Figure 7: Employment rate by ethnicity (not seasonally adjusted)



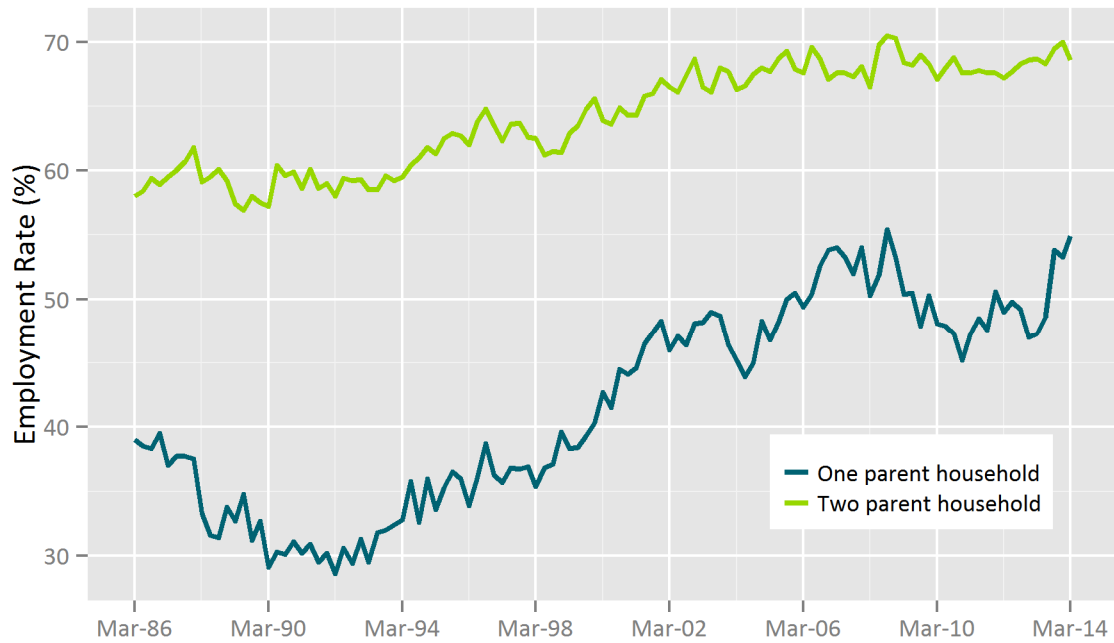
Source: Statistics New Zealand

Employment by family status

In March 2014, there were approximately 122,000 mothers in one-parent households with dependent children. The employment rate for these single mothers is 54.9 per cent, the second highest level since the series began in 1986. This rate is 7.6 percentage points higher than that recorded in March 2013.

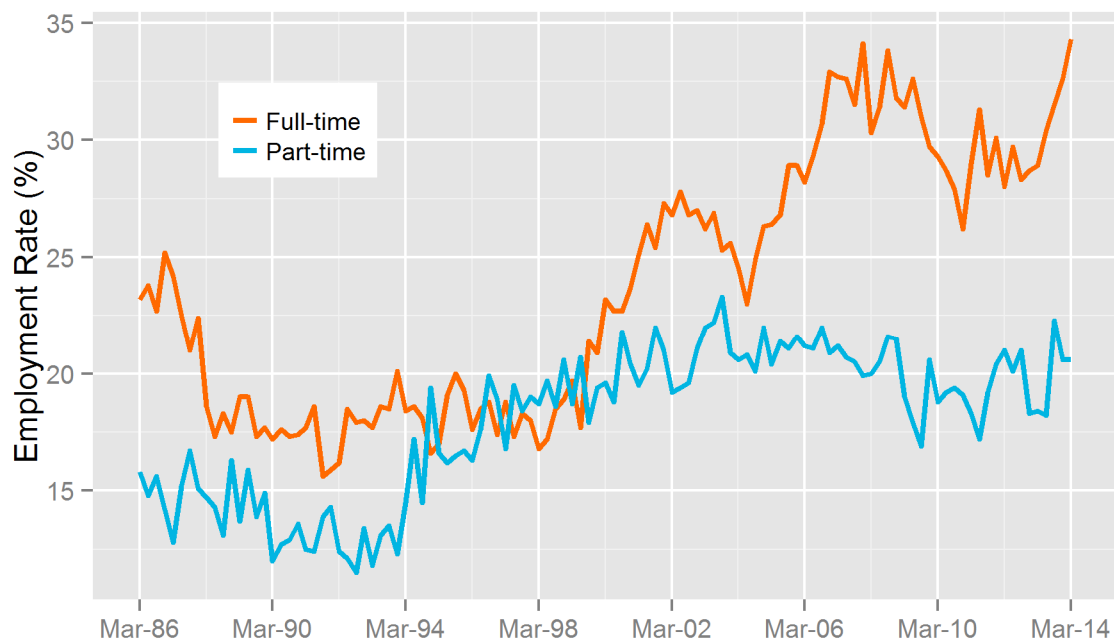
The annual change has almost entirely been driven by increased full-time employment, which is in line with longer-term trends for employment of single mothers.

Figure 8: Employment rates for mothers with dependent children by household type (not seasonally adjusted)



Source: Statistics New Zealand

Figure 9: Full-time and part-time employment rates for single mothers (not seasonally adjusted)



Source: Statistics New Zealand

LABOUR SUPPLY AND PARTICIPATION

New Zealand's labour force increased by 22,000 (0.9 per cent) over the March 2014 quarter, comprised of a large rise in employment, and no change in unemployment. Over the year to March, the labour force increased by 82,000 (3.4 per cent) comprised of a large increase in employment and a fall in unemployment.

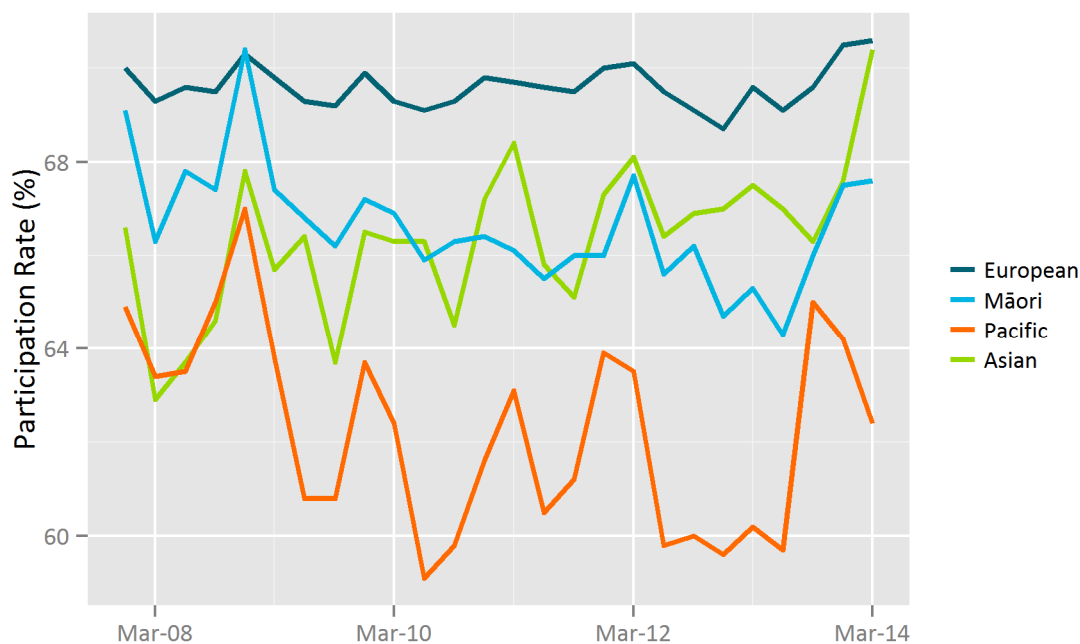
The labour force participation rate is now at 69.3 per cent, its highest level since the series began in 1986. The increase in the participation rate since March 2013 (up 1.4 percentage points) is the largest annual increase in the series.

Over the year to March 2014, there were significant increases in participation rates for the 30-34 and 35-39 year old age groups. In particular, females in these age groups showed large increases in participation rates, from 71.1 per cent to 76.2 per cent for ages 30-34, and from 74.8 per cent to 77.0 per cent for ages 35-39. Participation rates for those aged 50 plus continue along long-term upward trends.

Participation by ethnicity

Over the year to March 2014 the labour force participation rate increased for all major ethnic groups. The largest increase was for Asians, up 2.9 percentage points to 70.4 per cent, followed by Māori, up 2.3 percentage points to 67.6 per cent. Over the same time period, the participation rate for Pacific peoples increased by 2.2 percentage points to 62.4 per cent, and for Europeans increased by 1.0 percentage points to 70.6 per cent.

Figure 10: Participation rate by ethnicity (not seasonally adjusted)



Source: Statistics New Zealand

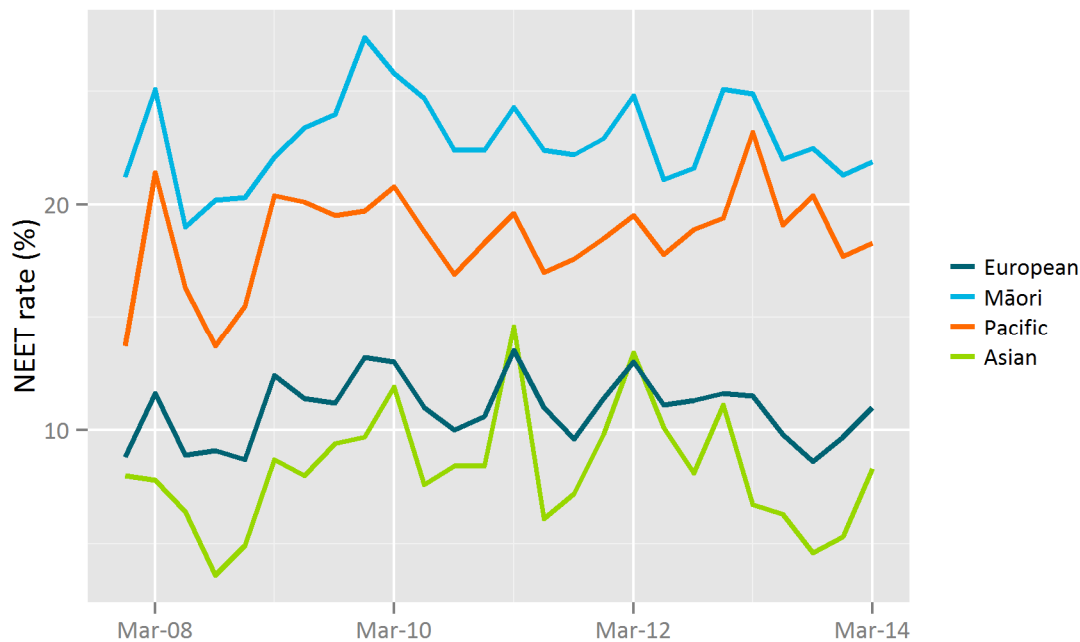
Youth labour markets

Over the year ending March 2014, there was a rise in employment for youth (ages 15-24), up 15,600 or 4.9 per cent. This lifted the employment rate for youth to 52.6 per cent (up 2.5 percentage points over the year).

The number of unemployed youth increased over the year (up 4,300, or 7.0 per cent), but this movement is not statistically significant, and partially reflects atypically low youth unemployment in March 2013.

The percentage of youth not in employment, education or training (NEET) increased over the March 2014 quarter from 11.3 per cent to 11.8 per cent. However, the NEET rate is still down from March 2013, when it was 12.6 per cent.

Figure 11: NEET rates (15-24) by ethnicity (not seasonally adjusted)



Source: Statistics New Zealand

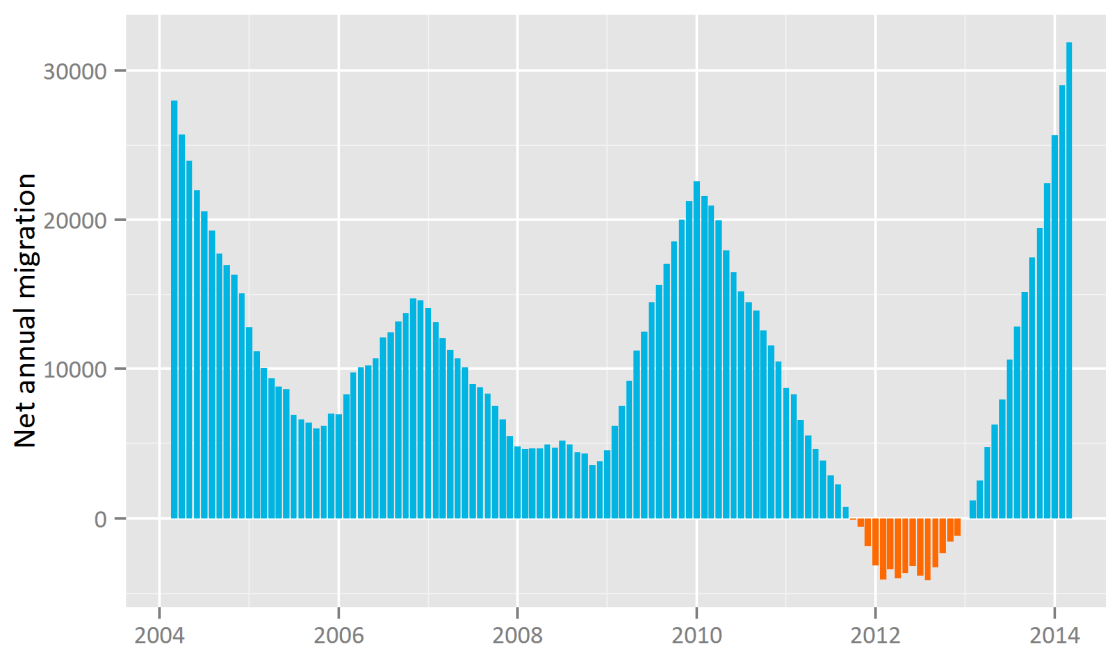
The special feature in this quarter's report presents highlights from Statistics New Zealand's new series on regional NEET rates.

Migration trends

In the year to March 2014, there were 98,000 arrivals in New Zealand and 66,100 departures, resulting in a net gain of 31,900 people. This is the highest net gain since the year ending January 2004. Most of the net gain came from China (6,200), India (6,100) and the United Kingdom (5,800).

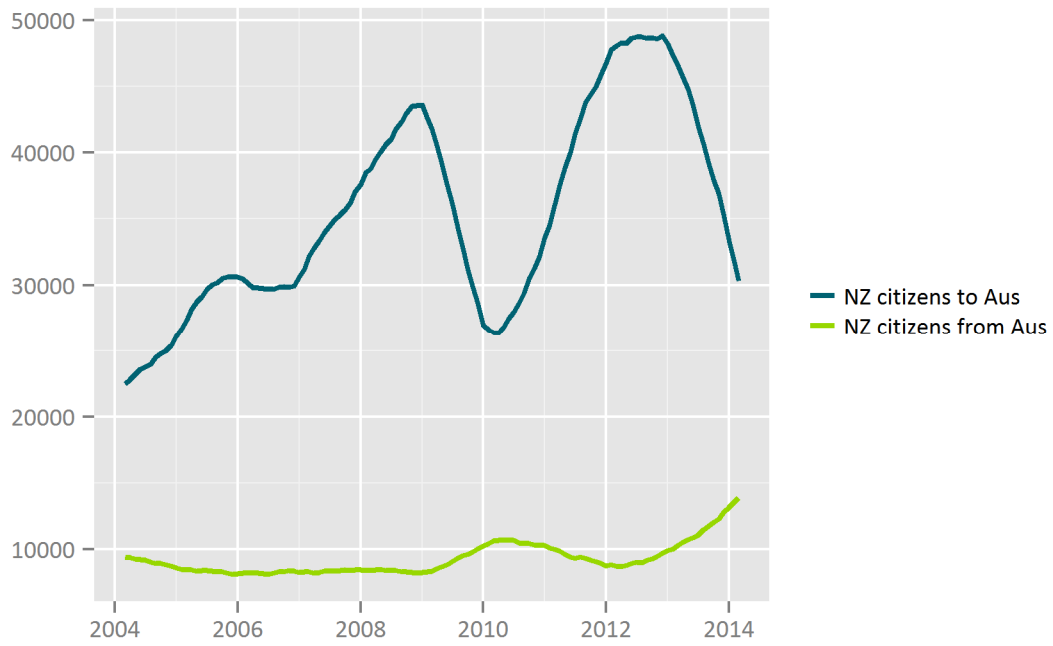
Departures of New Zealand citizens to Australia have been declining since 2013, and a slight upturn in New Zealand citizens returning from Australia has been evident since that time.

Figure 12: Annual net migration to New Zealand, 2004-2014



Source: Statistics New Zealand

Figure 13: Flows of New Zealand citizens to and from Australia



Source: Statistics New Zealand

MATCHING SUPPLY AND DEMAND

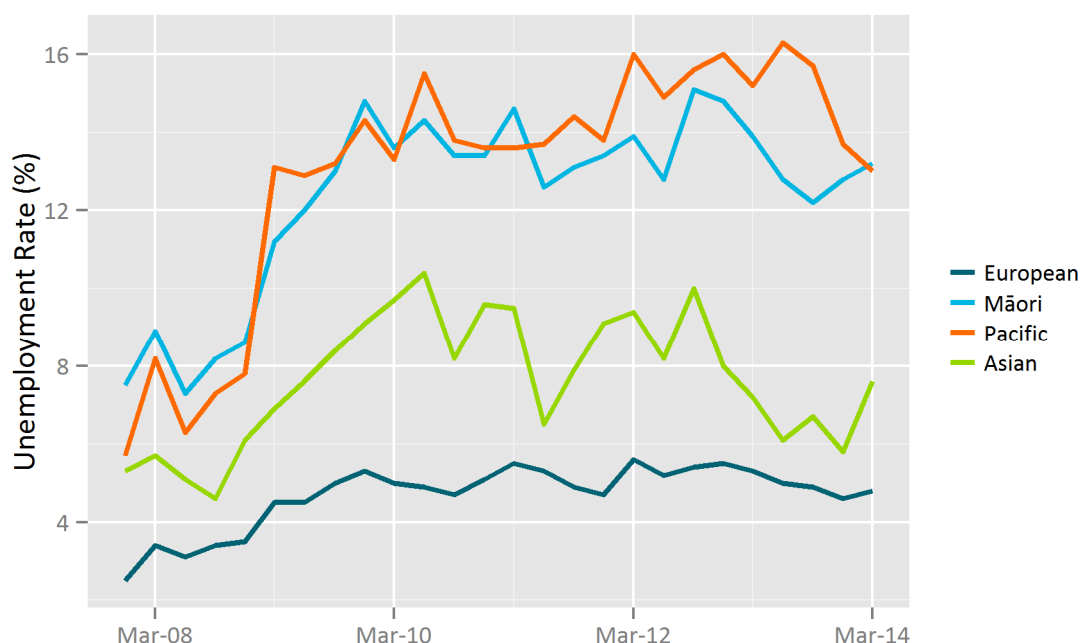
Both the number unemployed and the unemployment rate are unchanged over the quarter, at 147,000 and 6.0 per cent respectively.

Unemployment by ethnicity

Over the year, the number of unemployed Māori has remained unchanged at 40,400. However, the strong increase in the number of employed Māori had the effect of lowering the unemployment rate from 13.9 per cent to 13.2 per cent.

For Pacific peoples, the unemployment rate dropped to 13.0 per cent, its lowest rate since December 2008. This was caused by a decline in numbers unemployed (from 17,500 to 15,800, a 9.7 per cent decrease), while numbers employed rose.

Figure 14: Unemployment rate by ethnicity (not seasonally adjusted)



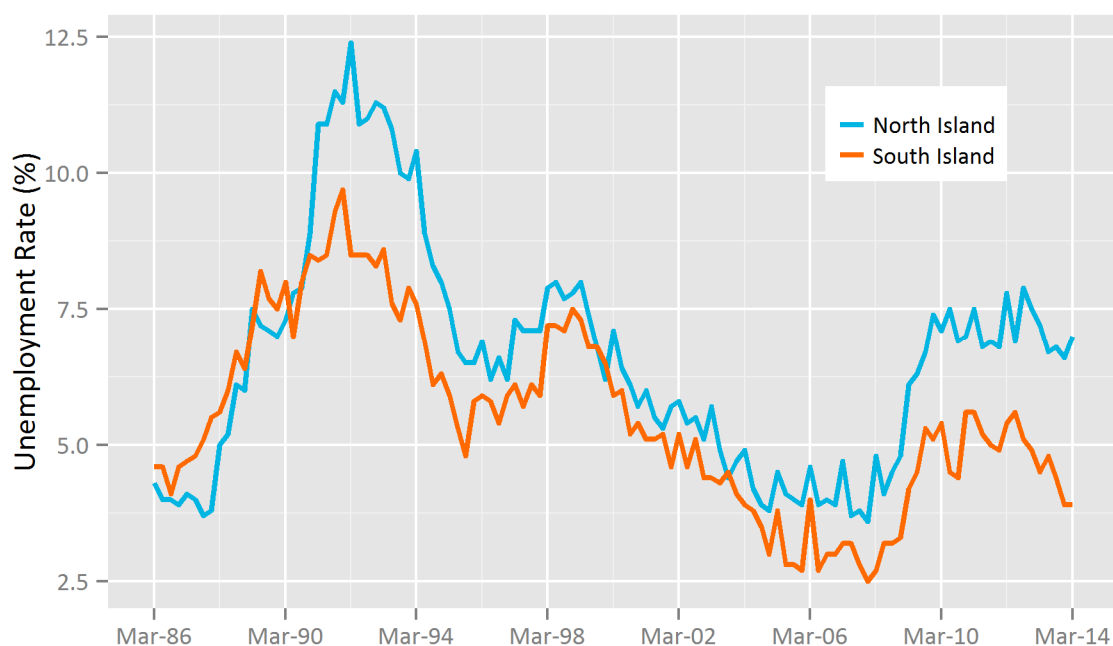
Source: Statistics New Zealand

Unemployment by region

The difference between the North Island and South Island unemployment rates is at its highest level since 1992. The South Island unemployment rate is 3.9 per cent, down from 4.5 per cent a year ago. The North Island unemployment rate is 7.0 per cent, down from 7.2 per cent a year ago.

Most regions saw their unemployment rate either drop or remain unchanged over the year. The only regions to see an increase were Southland (up 1.5 percentage points to 4.7), Waikato (up 1.4 percentage points to 7.0), and Taranaki (up 0.9 percentage points to 6.5).

Figure 15: Unemployment rates for North Island and South Island (not seasonally adjusted)



Source: Statistics New Zealand

Table 5: Unemployment by region (not seasonally adjusted)

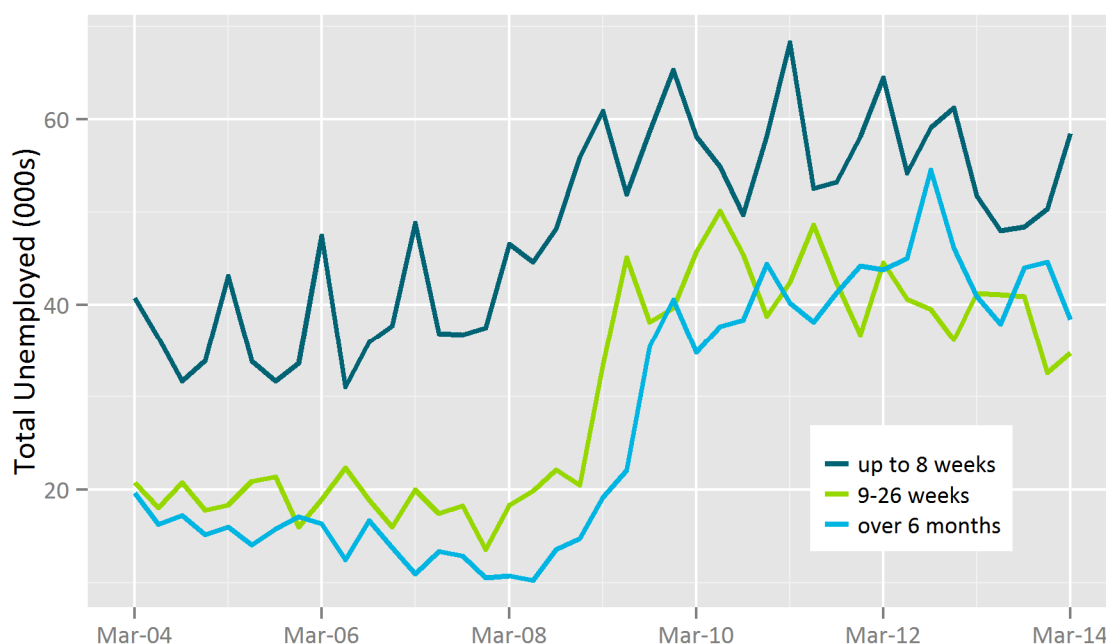
Region	Unemployment (March 2014)	Unemployment rate (%) (March 2014)	Annual change (percentage points)
Northland	6,200	8.0	- 2.0
Auckland	58,700	7.3	No change
Waikato	15,200	7.0	+ 1.4
Bay of Plenty	9,500	7.1	- 0.9
Gisborne/Hawke's Bay	9,300	8.4	No change
Taranaki	4,300	6.5	+ 0.9
Manawatu-Wanganui	9,200	7.7	No change
Wellington	16,000	5.5	- 1.3
Tasman/Nelson/Marlborough/West Coast	4,900	4.8	No change
Canterbury	12,200	3.3	- 1.0
Otago	6,100	4.6	- 0.8
Southland	2,500	4.7	+ 1.5
TOTAL	154,000	6.2	- 0.3

Source: Statistics New Zealand

Unemployment by duration

Over the year to March 2014 the number of people in long-term unemployment (defined as over 6 months) fell from 40,900 to 38,400, a drop of 6.1 per cent. The number of people who have been unemployed for between 9 and 26 weeks also fell over this period, from 41,200 to 34,700 (a drop of 15.8 per cent).

Figure 16: Unemployment by duration (not seasonally adjusted)



Source: Statistics New Zealand

Jobseeker Support beneficiaries

In July 2013, Work and Income New Zealand introduced Jobseeker Support for people who are preparing for, and looking for, full-time work. Jobseeker Support incorporates the unemployment benefit, sickness benefit, domestic purposes benefit (DPB) with children 14 and older, widows benefit with children 14 and older, and domestic purposes women alone benefit.

The number of Jobseeker Support clients fell by 6,800 (5.3 per cent) between March 2013 and March 2014, and now stands at 122,000. Of all Jobseeker Support clients, 65,900 (54.0 per cent) are classified as work ready, while 56,000 (46.0 per cent) were temporarily unavailable to work in the short term due to health conditions and disability.

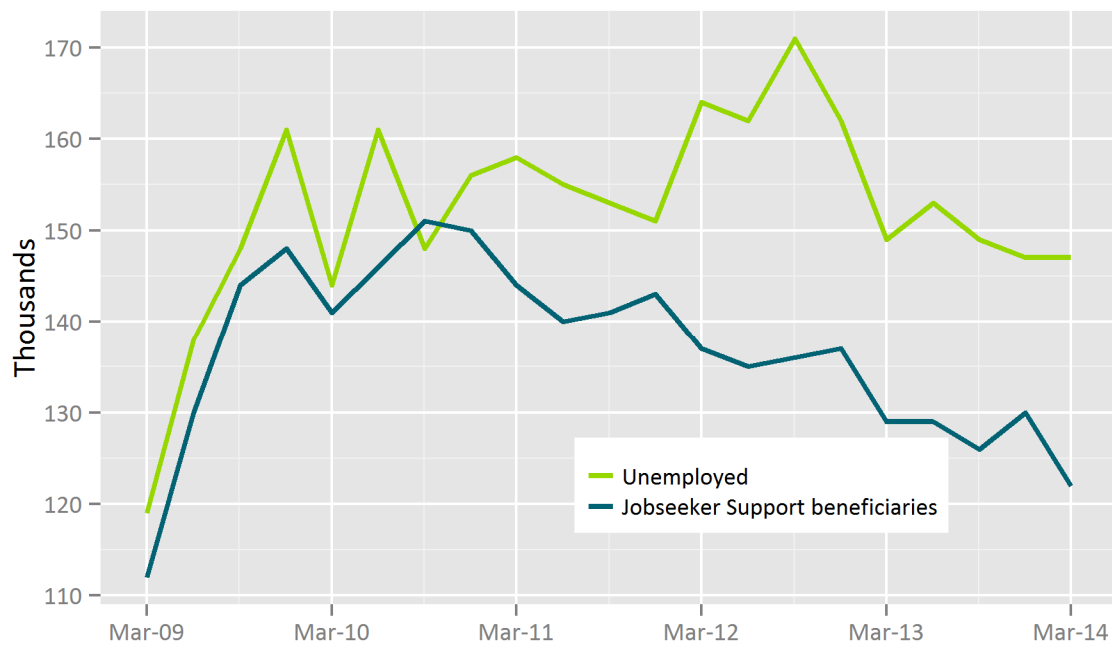
Figure 17 shows a divergence between the numbers of people officially unemployed (the HLFS measure) and the number of Jobseeker Support beneficiaries over the last three years.

Persons ineligible for Jobseeker Support (but classified as unemployed in the HLFS) include:

- Unemployed 15-17 year olds
- Unemployed people aged 65 years or older

- Unemployed people looking for part-time work (such as students) or with a new job starting within four weeks
- Unemployed people with sufficient family or personal income to support them while looking for work
- Unemployed people already on another benefit.

Figure 17: Unemployment and Jobseeker Support beneficiaries



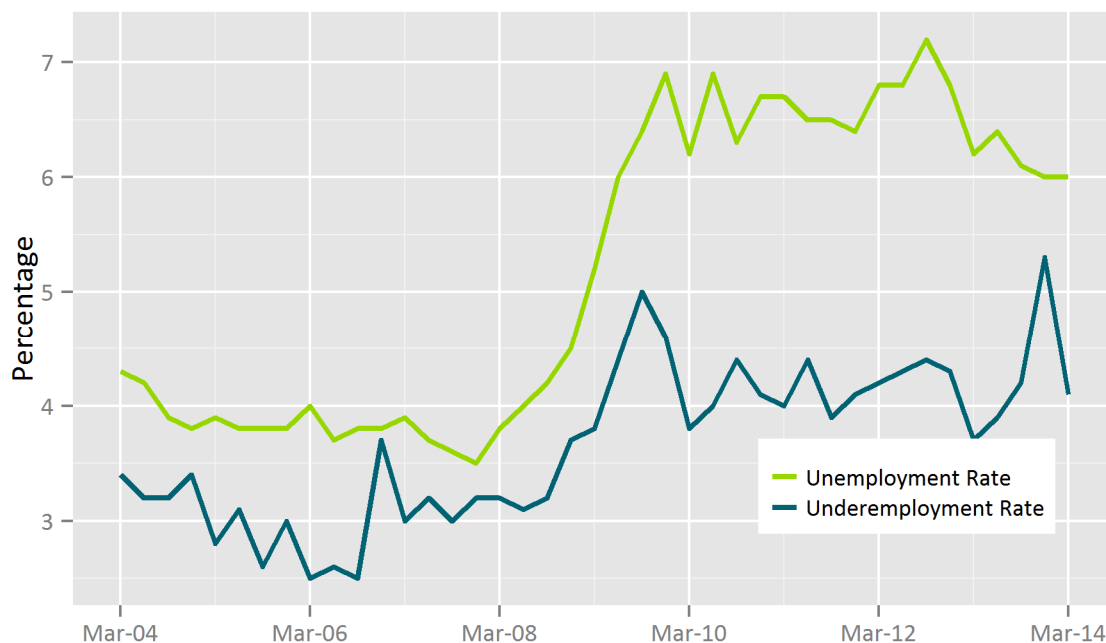
Source: Statistics New Zealand, Ministry of Social Development

Underemployment trends

The underemployment rate is the percentage of employed people who are working part-time and are both willing and available to work more hours. In the March 2014 quarter, the underemployment rate was 4.1 per cent, up 0.4 percentage points over the year.

This increase in underemployment reflects the fact that, while there were more part-time workers employed, a greater proportion of those part-time workers were available, and wanting to, work longer hours. This indicates the potential for further increases in overall hours worked as the labour market continues to improve.

Figure 18: Underemployment and unemployment rates



Source: Statistics New Zealand

Job vacancies trends

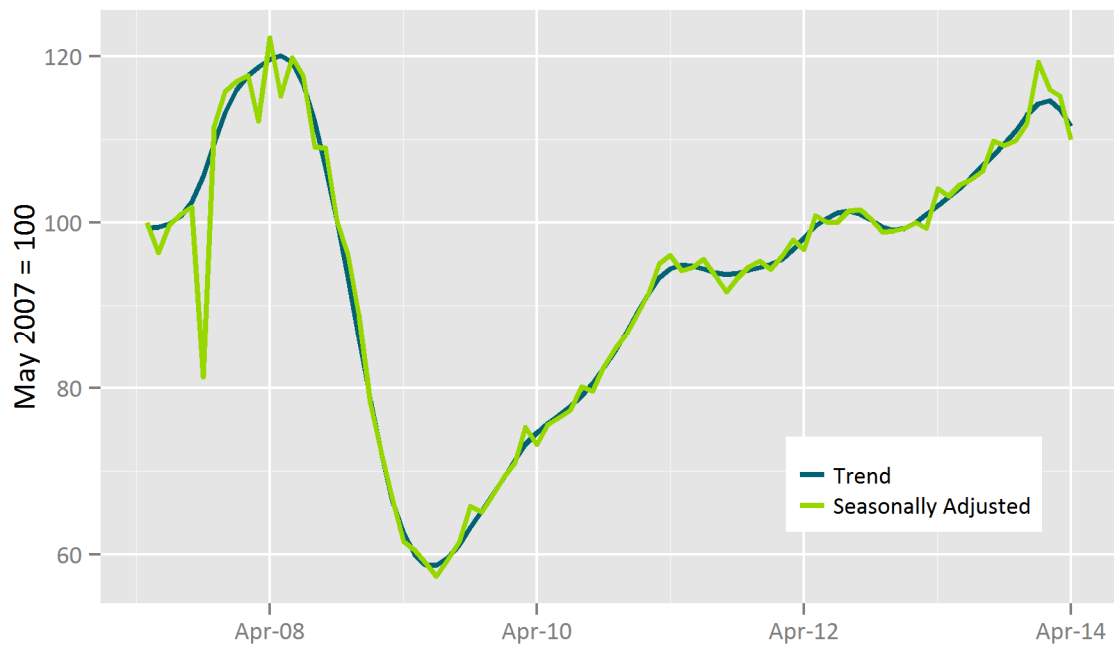
MBIE's Jobs Online skilled vacancy index measures the change in job vacancies advertised on the two main internet job boards- SEEK and Trade Me jobs. It is an indicator of overall job growth in the economy.

The overall trend for online skilled job vacancies has declined in recent months. Online vacancies for skilled jobs fell by 1.8 per cent in April, driven by decreases in most industries. Over the year, however, skilled vacancies increased by 9.4 per cent, and all vacancies increased by 13.2 per cent.

At a regional level, skilled vacancies have increased in all regions over the past year, with increases being strongest in the South Island – Other region (up 21.7 per cent), Canterbury (up 11.8 per cent) and Auckland (up 10.8 per cent).

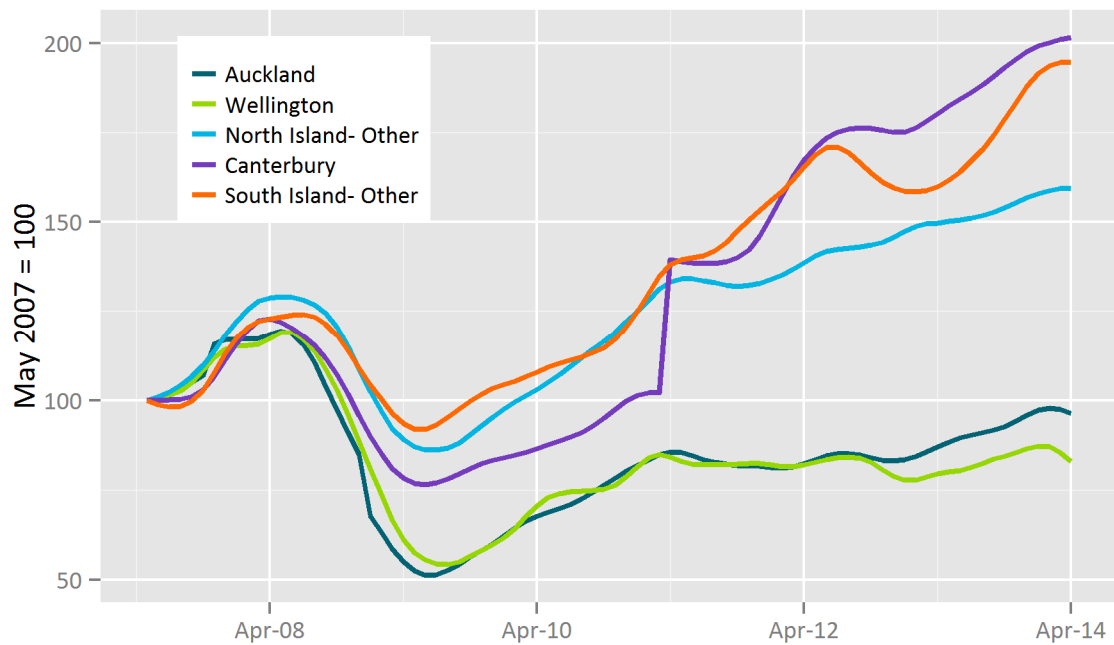
Within Canterbury, the increase in vacancies was driven by construction and engineering (up 31.6 per cent) and hospitality and tourism (up 24.4 per cent).

Figure 19: Jobs Online skilled vacancies index



Source: Ministry of Business, Innovation and Employment

Figure 20: Jobs Online skilled vacancies index by region

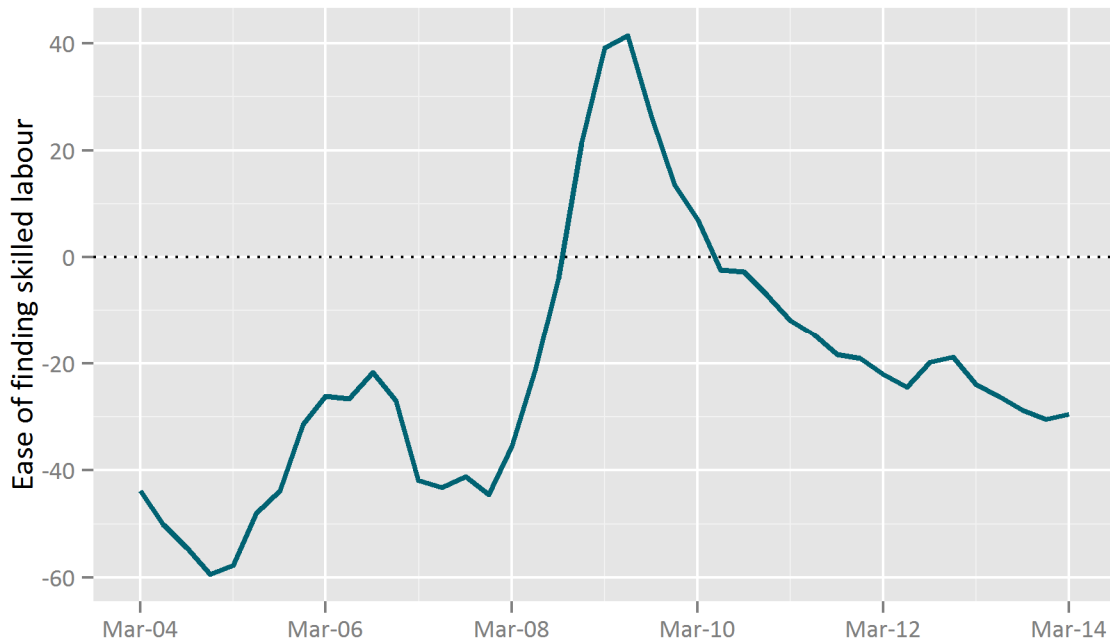


Source: Ministry of Business, Innovation and Employment

Skills shortages

Labour skill shortages are becoming more apparent. NZIER's Quarterly Survey of Business Opinion reported a net 30 per cent of businesses found it more difficult to find skilled labour in the March 2014 quarter than the December 2013 quarter.

Figure 21: Ease of finding skilled labour index



Source: New Zealand Institute of Economic Research

Wage growth

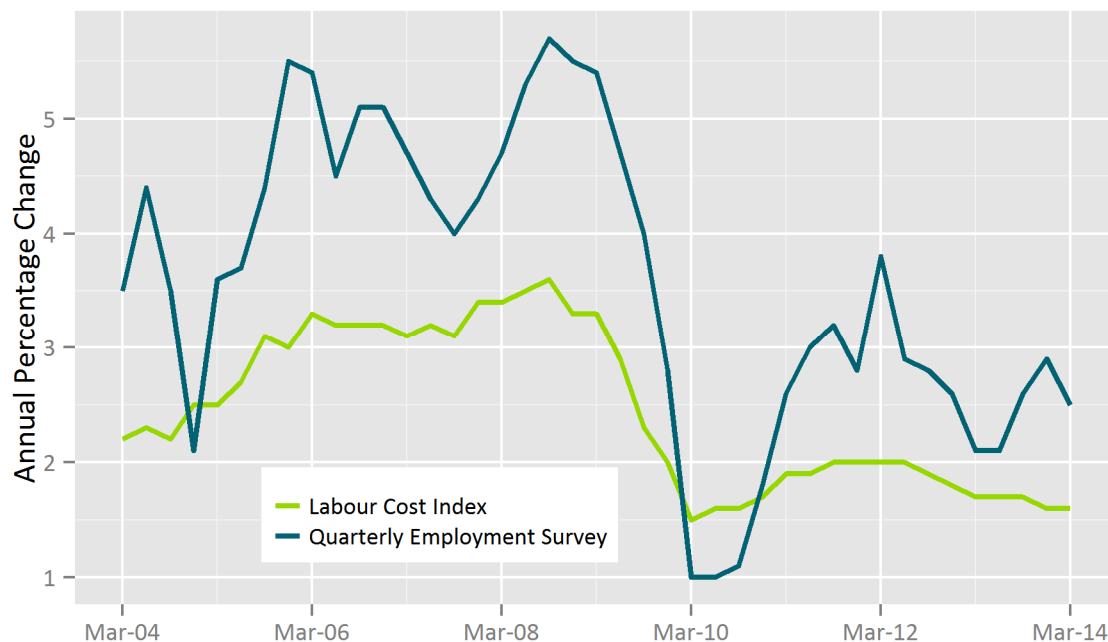
The Labour Cost Index (LCI) and Quarterly Employment Survey (QES) are complementary measures of wage growth. The LCI measures wage inflation, and reflects changes in the rates paid by employers to have the same job done to the same standard. Change in the LCI may result from collective employment agreements, or wage adjustments made to match market rates, retain or attract staff or reflect cost of living.

The QES measures the average gross earnings paid to employees in economically significant businesses. Changes in the QES may result from changes in New Zealand's industrial composition (e.g. if a lower-paying industry increased its total paid hours relative to other industries, it would lower the QES earnings measure). Changes in the QES may also result from changes to the composition of the paid workforce: for example, an increase in wages resulting from improved workforce skills would be shown in the QES but not the LCI.

According to the LCI, growth in salary and wage rates (including overtime) was 1.6 per cent in the year to March 2014, a rate that has been relatively stable in recent years.

QES measures of wage growth have been more erratic, possibly due to changes in the hours worked in different industries. Average hourly earnings rose 2.5 per cent over the year for the year ending March 2014.

Figure 22: Annual wage growth, Labour Cost Index and Quarterly Employment Survey



Source: Statistics New Zealand

Subdued wage inflation suggests that signs of emerging skills shortages have not yet led to increased wages nationally. It is a different story at a regional level. Annual wage growth in the construction industry in Canterbury remains stronger than the national rate for all industries, and the rate for construction outside of Canterbury.

Figure 23: Wage growth in construction for Canterbury and New Zealand, (Labour Cost Index)

Industry and region	Annual change to March 2014
Construction- Canterbury	3.0 per cent
Construction- rest of NZ	1.7 per cent
All industry sectors- NZ	1.6 per cent

Source: Statistics New Zealand

SPECIAL FEATURE: NEW REGIONAL DATA

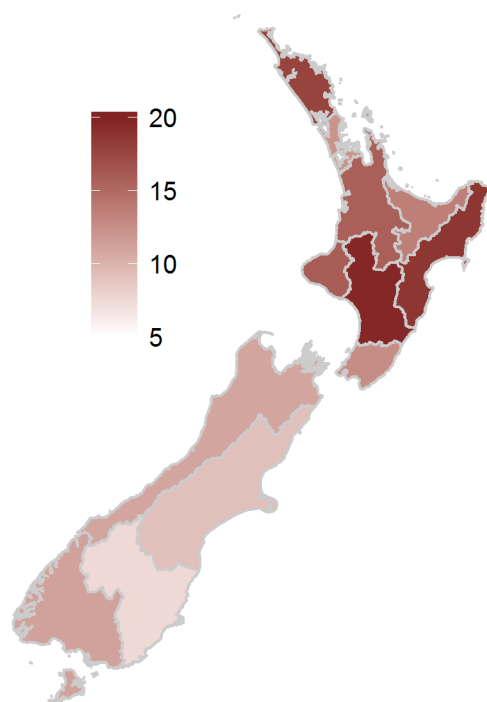
Statistics New Zealand now publishes two new regional data series based on the Household Labour Force Survey. This special feature presents highlights of the data.

NEET by regional council

The first new series presents data on those not in education, employment and training by age group (15-19, 20-24 and 15-24) and regional council. This data is not seasonally-adjusted and results are compared on a year-to-year basis.

In March 2014, NEET rates were below the national average in all South Island regions and in Auckland and Wellington. In all other regions, NEET rates were above the national average, with the highest being recorded in Manawatu-Wanganui (19.8 per cent) Gisborne/Hawke's Bay (18.8 per cent).

Figure 24: NEET rate (15-24) by regional council (March 2014, not seasonally adjusted)



Source: Statistics New Zealand

Between March 2013 and March 2014 there were significant falls in the NEET rates in Northland (down 8.8 percentage points) and Bay of Plenty (down 8.6 percentage points). This coincides with large increases in employment in both those regions.

Table 6: NEET rate (15-24) by regional council (not seasonally adjusted)

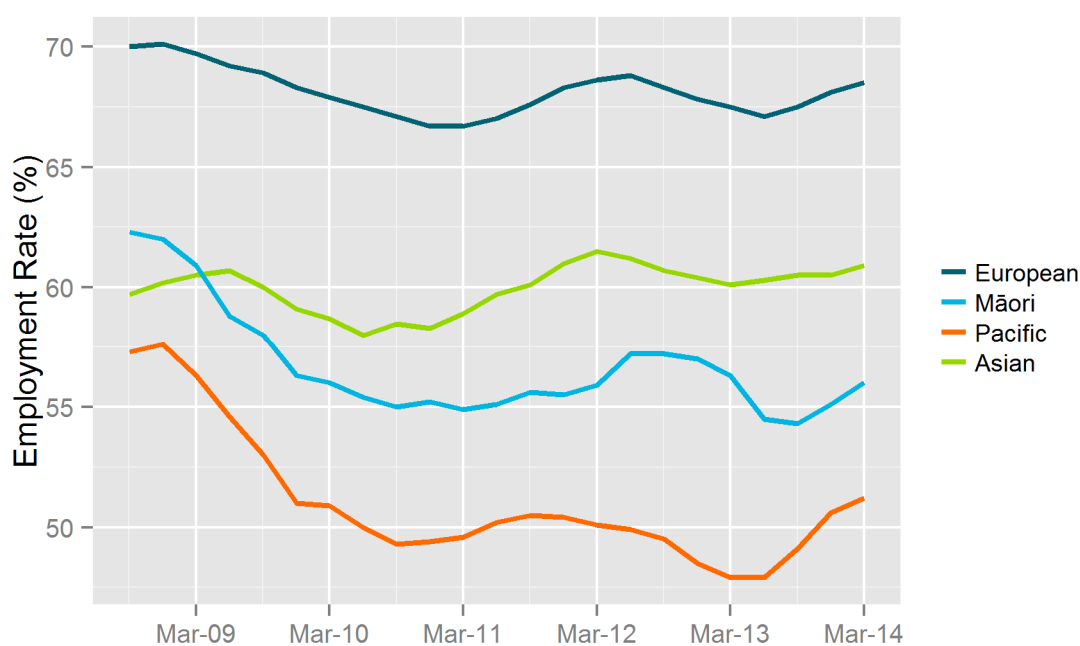
Region	NEET rate (%) (March 2014)	Annual change (percentage points)
Northland	17.9	- 8.8
Auckland	12.2	+ 0.4
Waikato	15.9	+ 1.6
Bay of Plenty	13.7	- 8.6
Gisborne/Hawke's Bay	18.8	- 1.4
Taranaki	16.1	+ 3.9
Manawatu-Wanganui	19.8	+ 0.1
Wellington	12.7	- 0.4
Tasman/Nelson/Marlborough/West Coast	11.0	+ 0.6
Canterbury	9.2	- 2.3
Otago	7.5	- 0.9
Southland	11.3	+ 2.1
TOTAL	12.8	- 0.9

Source: Statistics New Zealand

Ethnic labour market statistics by region

The second new series presents data on labour market outcomes by major ethnic group (European, Māori, Pacific peoples and Asian) for each regional council. As with NEET by regional council, this data is not seasonally-adjusted and is best compared on an annual basis. Outside of Auckland, some data is suppressed due to small sample size. This is especially true for Pacific peoples and Asian ethnicity, although some data for Māori is suppressed in the South Island regions.

Figure 25: Employment rate by ethnicity in Auckland (annual averages)



Source: Statistics New Zealand

