

EMPLOYMENT & UNEMPLOYMENT – DECEMBER 2006

Background

- 1 This report informs you about the Household Labour Force Survey (HLFS) results for the December 2006 quarter. The HLFS was released by Statistics New Zealand on 8 February 2006. All figures refer to the working-age population (15 years and over) and are seasonally adjusted unless otherwise specified¹. Terms are defined in the appendix.

Key points

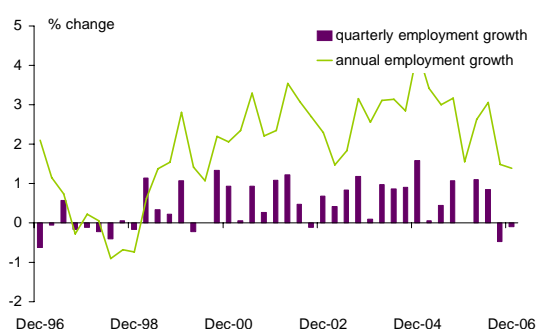
Labour market eased further this quarter, but remains tight...

- 2 The New Zealand labour market eased further in the December 2006 quarter following relatively strong growth earlier in the year. In this quarter the unemployment rate decreased to 3.7%. However, this decrease was largely driven by a decrease in participation and employment and so masks a slight weakening in the labour market. While the decrease in the unemployment rate was predicted by some forecasters neither the decrease in the participation rate or employment was forecast.
- 3 Most of the changes in the December 2006 quarter were due to changes for females. The decline in employment was caused by a reduction in employment of full-time females. Similarly a decrease in female participation, while male participation remained constant, led to a decrease in the overall participation rate.
- 4 However, the results for some groups went against the overall trends. Unemployment fell for Maori with the year to December 2006 Maori unemployment rate the lowest since the HLFS began in 1986.
- 5 Despite some easing in the December 2006 quarter the labour market remains tight. Employment and participation are both historically high while unemployment has remained consistently low. In addition, other recent labour market indicators such as the QSBO and the National Bank Business Outlook had the most positive results in at least a year and a half.

...as employment declined...

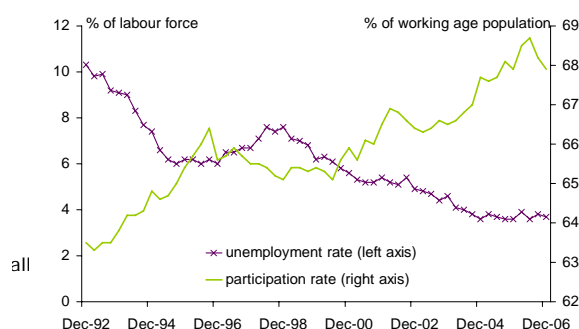
- 6 Employment fell by 0.1% in the December 2006 quarter, following a decline of 0.5% in the September 2006 quarter. This has resulted in annual growth falling to 1.4% in the year to December 2006, the lowest annual figure since June 2000 (*Figure 1*).
- 7 The decrease in employment was driven by a decrease in female employment. There were 5,000 fewer females employed in the December 2006 quarter while the number of males employed rose by 3,000. There was a fall in full-time employment while part time employment increased.

Fig 1: Employment growth



Source: HLFS, Statistics New Zealand

Fig 2: Unemployment & participation rates



Source: HLFS, Statistics New Zealand

- 8 The unemployment rate decreased from 3.8% to 3.7% in the December 2006 quarter (*Figure 2*). The unemployment rate has been relatively stable since falling below 4% in the second half of 2004.
- 9 New Zealand's unemployment rate remains the fourth lowest of the 27 OECD nations with comparable data, and is one of only six countries below 4.0%. Norway and Denmark shared first place at 3.3%, with South Korea, the Netherlands and Switzerland the other countries below 4.0%. New Zealand is the only of these countries to remain below 4% for the ten quarters since September 2004. The OECD average unemployment rate fell to 5.8% in the December 2006 quarter, down from 6.1% in the previous quarter.
- 10 Underemployment (part-timers who want to work more hours) rose strongly by 4,000 to 75,900 in the December 2006 year. This is up from a record low in the September 2006 year, but still remains historically low. The strong rise in underemployment in the December 2006 quarter may indicate that employers have been labour hoarding.

...and the participation rate fell

- 11 The labour force participation rate fell from 68.2% to 67.9% in the December quarter. This is the second consecutive quarter that a fall has been recorded and follows a large rise in the participation rate in the first half of 2006. Despite the decrease this quarter, the participation rate remains at the equal fifth highest rate since the HLFS began in 1986.
- 12 The fall in participation rate was driven by female participation which fell from 61.3% to 60.7% while male participation remained steady at 75.6%. This is the second quarter that female participation has decreased. The total decrease over the last two quarters was 1.4 percentage points, causing female participation to drop to levels that are similar to early 2005.

Table 1: Recent HLFS results

Labour market indicator	Dec 2005	Jun 2006	Sep 2006	Dec 2006
Working-age population (000s)	3,189	3,212	3,222	3,235
<i>quarterly % change</i>	0.4	0.3	0.3	0.4
Employment (000s)	2,086	2,127	2,117	2,115
<i>quarterly % change</i>	0.0	0.9	-0.5	-0.1
Unemployment (000s)	78	79	83	82
<i>quarterly % change</i>	-1.3	-8.1	5.1	-1.1
Labour force participation rate (%)	67.9	68.7	68.2	67.9
Unemployment rate (%)	3.6	3.6	3.8	3.7

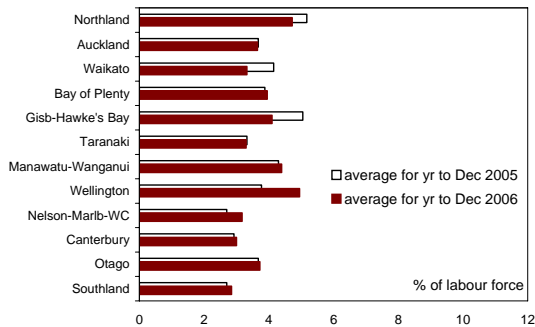
Employment changes across several industries

- 13 Despite the decline in employment in the December quarter a number of industries continued to experience increases. Construction has had the largest increase of any industry over the last year (13.9%) and continued to grow in the December quarter. Primary industries including agriculture, forestry, and fishing also continued with a recent upward trend in employment growth. However, employment continued to decline in manufacturing, while the hospitality sector experienced the largest drop in annual average employment in over two years.

All regions have an unemployment rate at or below 5%

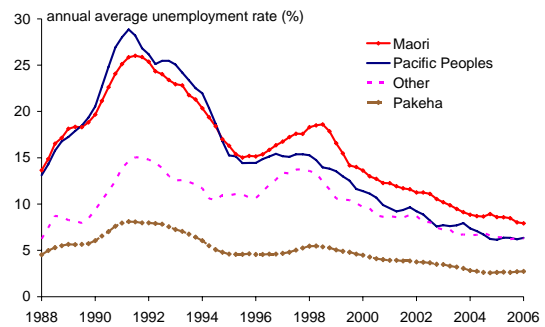
- 14 The unemployment rate was equal to or below 5% in all regions in the year to December 2006 with the largest fall between the years to December 2005 and 2006 occurring in Gisborne Hawke's Bay (5.1% to 4.1%). The lowest unemployment rate was recorded at 2.9% in Southland. Wellington now has the highest unemployment rate of 5.0% in the year to December 2006, followed by Northland at 4.7% (Figure 3). However, Wellington also recorded a significant increase in the participation rate to 70.0%, the third highest after Canterbury and Southland.

Fig 3: Unemployment rates by region



Source: HLFS, Statistics New Zealand

Fig 4: Unemployment rates by ethnicity



Source: HLFS, Statistics New Zealand

Unemployment rate trends down for Maori

- 15 The unemployment rate for Maori fell to 7.9% in the year to December 2006 (Figure 4). This is the lowest rate recorded since the HLFS began in 1986. The annual average unemployment rate for Europeans has remained in the 2.6%-2.8% band since December 2004, while the rate for Pacific Peoples rose slightly to 6.4%.
- 16 Labour force participation rates remain high for all ethnic groups. A participation rate of 67.0% in the December 2006 year for Maori is just below the highest rate of 67.3% recorded in the year to June 2006. The participation rate for Pacific Peoples fell to 62.3% from an 8-year high of 62.9%.

High participation for 15-24 year olds

- 17 The participation rate for 15-24 year olds rose in the year to December 2006 and reached an 8-year high of 65.0%. This caused an increase in the unemployment rate which rose to 9.6% for 15-24 year olds in the December 2006 year, up from the 9.3% measured in September 2006. However, it is still only slightly higher than the 18-year low of 9.2% measured in June 2006.
- 18 For 20-24 year olds the unemployment rate remained steady at 6.4% while their participation rate reached 76.1%, the highest since March 1999. However, the unemployment rate for 15-19 year olds rose strongly to 13.7% in the year to December 2006, up from 13.1% in the previous quarter. The participation rate for 15-19 year olds rose slightly to 54.8%, up from 54.5%.

APPENDIX: TERMS AND DEFINITIONS

The following is a list of the main terms that we use to describe the labour market, together with definitions of these terms. The table below illustrates how the terms relate to each other.

Working-age population: usually resident non-institutionalised civilian population aged 15 years and over.

Labour force: number of people who are either in work or are available and actively seeking work (that is, employed or unemployed as defined below).

Employment: number of people in work of one hour or more per week.

Full-time/part-time employment: full-time workers usually work 30 hours or more per week, and part-time workers usually work less than 30 hours per week.

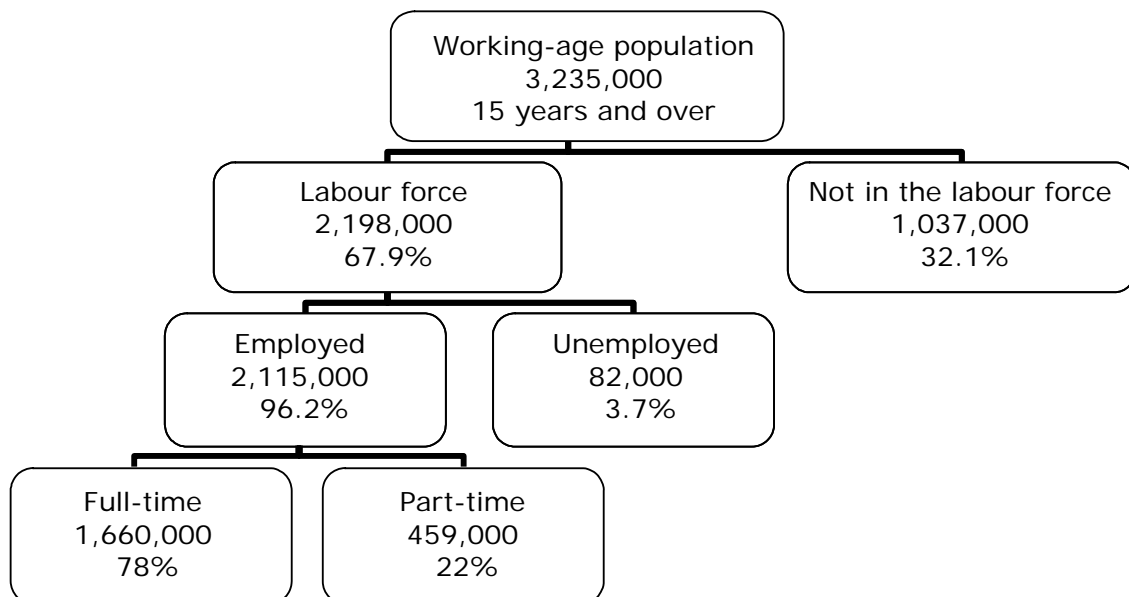
Unemployment: number of people who are not in work, but who are available for and actively seeking work.

Not in the labour force: number of people who are not in work and are either not available or not actively seeking work (that is, they are not employed and not unemployed). For example, in the year to December 2006, 47% of these people were retired, 18% were studying, 17% were at home with children, and 11% were at home not looking after children.

Labour force participation rate: proportion of the working-age population that is in the labour force (67.9%).

Unemployment rate: proportion of the labour force that is unemployed (3.7%).

Employment rate: proportion of the working-age population that is employed (65.4%).



Note: figures may not sum due to rounding.