



EMPLOYMENT AND UNEMPLOYMENT - SEPTEMBER 2009 QUARTER

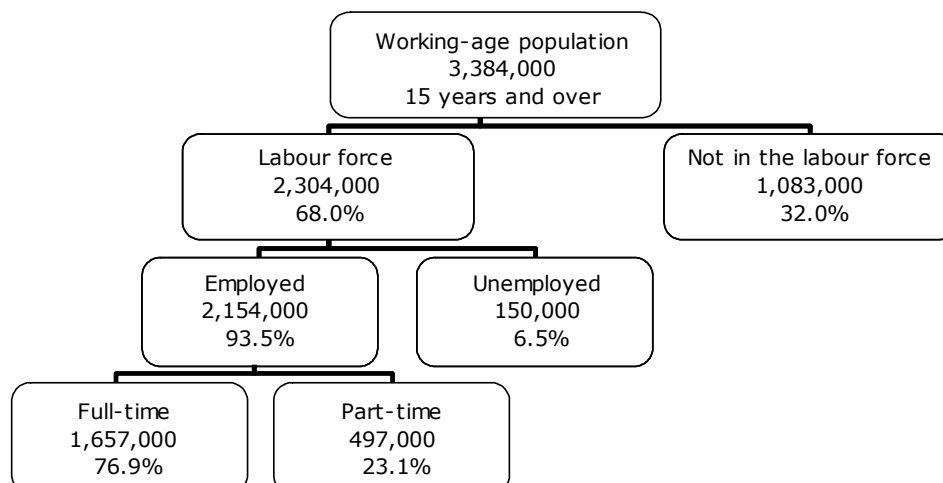
Background

- 1 This report informs you about the Household Labour Force Survey (HLFS) results for the September 2009 quarter which were released today.

Key points

- The unemployment rate rose to a 9-year high of 6.5% in the September 2009 quarter. The number of people unemployed now stands at 150,000.
- Employment fell by 0.8% in the September 2009 quarter, entirely due to a fall in male employment. This fall was driven by a fall in both full-time (down 0.5%) and part-time workers (down 1.1%).
- The labour force participation rate declined by 0.4 percentage points to 68.0% over the September 2009 quarter. This was driven entirely by a fall in male participation, while female participation rose over the quarter.
- The youth unemployment rate increased to 16.8% over the quarter and the Māori only unemployment rate increased from 9.6% in September 2008 to 14.2% in September 2009.
- Statistics New Zealand reports that New Zealand's unemployment rate is the 10th lowest of the 30 OECD nations well below the OECD average of 8.6%.
- We expect that the weakness in the economy over the last 18 months will continue to filter through to the labour market in coming quarters. We anticipate the unemployment rate will rise to around 7% by mid-2010.

Structure of the Labour Market: September 2009 quarter (seasonally adjusted)





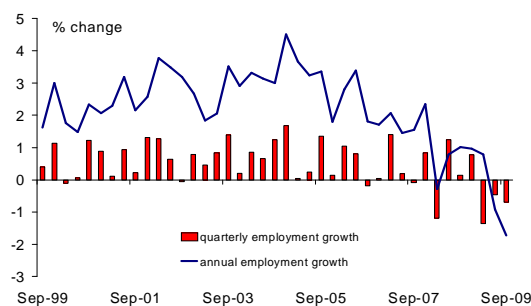
HLFS results show the labour market continues to soften

- 2 The September 2009 quarter HLFS showed the labour market continued to weaken with the unemployment rate rising and both the participation rate and employment falling.

Labour market conditions remained challenging over the September 2009 quarter

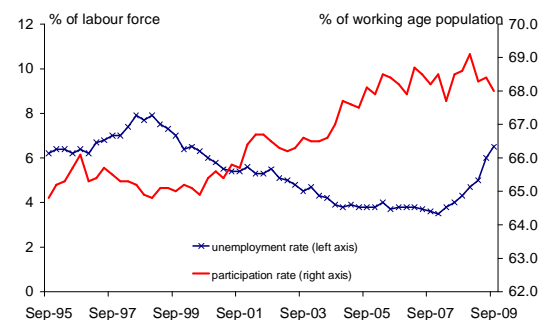
- 3 Employment declined by 17,000 (0.8%) to 2,154,000 in the September 2009 quarter (*Figure 1*), compared with market expectations of a 0.4% fall. The drop in employment was made up of full-time workers declining by 8,000 (0.5%) and part-time workers dropping by 5,000 (1.1%).

Fig 1: Employment growth



Source: HLFS, Statistics New Zealand

Fig 2: Unemployment & participation rate



Source: HLFS, Statistics New Zealand

- 4 The decline in employment was entirely driven by a marked fall in male employment (down 1.8%), with both full-time and part-time male workers showing a decline, down 1.3% and 4.3% respectively. The decline in male employment is mainly due to falls in male dominated industries, particularly in manufacturing and construction. Female employment increased over the quarter, with full-time and part-time employment both rising by 0.3%.

Labour demand remained weak over the September 2009 quarter

- 5 Total actual hours worked per week decreased by 0.7% in the September 2009 quarter. This is consistent with weak labour demand over the quarter and figures seen in the Quarterly Employment Survey released on Tuesday, 3 November.

The unemployment rate rose to a 9-year high of 6.5%

- 6 The unemployment rate rose in line with our expectations, increasing from 6.0% to reach a 9-year high of 6.5%. The increase in the unemployment rate in the September 2009 quarter was driven mostly by males. The male unemployment rate rose from 5.7% to 6.6%, while the female rate increased from 6.2% to 6.5%.



- 7 The number of people unemployed now stands at 150,000. Long-term unemployment has increased markedly from 13,600 in September 2008 to 35,500 in the September 2009 quarter, reflecting the number of people who lost their jobs early in the recession and have not been able to find employment.

The participation rate falls to 68.0%

- 8 The labour force participation rate decreased to 68.0% in the September 2009 quarter, down from 68.4% in the previous quarter. The decline in the participation rate was driven by a decrease in male participation (down 1.0 percentage point to 74.1%), while female participation increased by 0.2 percentage points to 62.3%.
- 9 It is normal for the participation rate to fall when employment falls, as people who lose their jobs may feel discouraged from looking for further employment or may choose to take up activities such as studying or looking after children.

Youth unemployment rate reaches 16.8% in the September 2009 quarter

- 10 The HLFS showed a large fall in youth employment compared to a year earlier. Employment for those aged 15-24 dropped by 27,600, or 8.2% from the same quarter last year.
- 11 The unemployment rate for youth rose to 16.8%, while the participation rate declined slightly over the year. This is consistent with Ministry of Social Development data showing youth aged 18-24 accounted for an increased share of unemployment benefit (UB) recipients, up from 25.2% in September 2008 to 32.7% in September 2009.
- 12 Youth continue to be particularly affected by a weaker labour market and their unemployment rate is expected to continue to rise further over the next year. This can be attributed to their low skill and experience levels, but also because youth (those aged 15-24) are two to three times more likely to be unemployed than adults.
- 13 The youth participation rate declined by 2.0 percentage points from the September quarter 2008 to reach 61.6% in the September quarter 2009. At least part of this decline will be due to an increased participation in formal study.

Māori and Pacific workers continue to be affected

- 14 The September 2009 quarter saw large increases in the unemployment rates for all ethnic groups. The unemployment rate for Māori only increased to 14.2%, from 9.6% a year earlier, while the rate for Pacific peoples only increased to 12.3% from 7.7% and the European/Māori¹ ethnic group unemployment rate rose to 10.4% from 6.6%. The unemployment rate for the European only group was 4.5%, up from 3.1% a year earlier.

¹ People who identify as both European and Māori

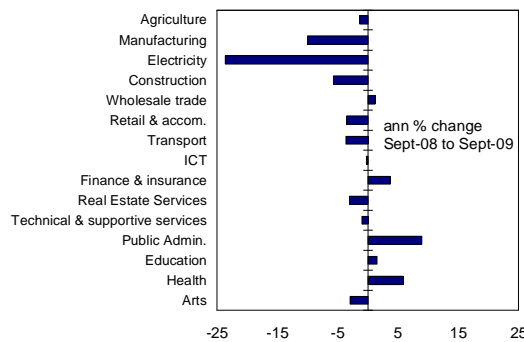


- 15 Māori and Pacific workers have continued to be affected by the downturn in the economy over the past 18 months. These groups have a greater proportion of youth relative to Europeans and also tend to be disproportionately employed in lower-skilled occupations.

A range of industries recorded a fall over the quarter

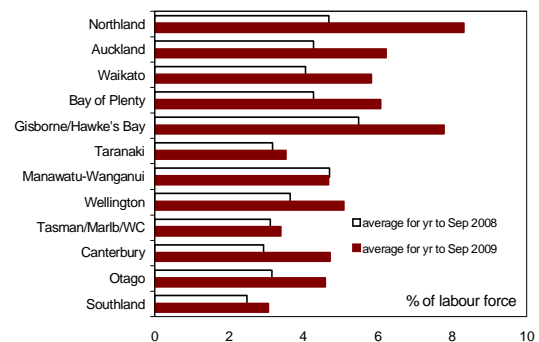
- 16 Compared to a year ago, there have been decreases in employment in manufacturing (down 27,300), retail trade and accommodation (down 12,200) and construction (down 10,500) (Figure 3).
- 17 These losses have been offset by annual increases in employment in health & social assistance (up 12,100) and public administration and safety (up 10,100).

Fig 3: Employment growth by industry



Source: HLFS, Statistics New Zealand

Fig 4: Unemployment rates by region



Source: HLFS, Statistics New Zealand

Unemployment rises across most regions

- 18 Unemployment rose in most regions, with northern regions most affected (Figure 4). Northland's unemployment rate reached 9.3%, up from 7.1% a year earlier. In Auckland, the unemployment rate was 6.5% (up from 4.4% a year earlier). In Waikato, the rate was 6.4% (up from 4.5% a year earlier), while in Canterbury the rate was 5.9% (up from 3.3% a year earlier).

New Zealand unemployment rate remains lower than the OECD average

- 19 Despite the large increase in the unemployment rate, the New Zealand labour market is holding up better than most other countries. The unemployment rate still remains lower than the OECD average of 8.6% and is the 10th lowest of the 30 OECD nations. Norway has the lowest unemployment rate at 3.0%, followed by the Netherlands at 3.5%. South Korea and Switzerland are also below 4.5%. The unemployment rate for Australia was 5.7% in September 2009.



Summary

- 20 Today's HLFS results were largely expected and showed that the New Zealand labour market continued to deteriorate over the September 2009 quarter. This was consistent with business surveys and the fact that trading conditions remained difficult over the September 2009 quarter.
- 21 Despite the increase of 0.5 percentage points in the unemployment rate, we anticipate that the pace of growth in the unemployment rate will slow in coming quarters.

Outlook for the labour market

- 22 The outlook for the New Zealand economy has improved markedly compared to six months ago. Underpinning this view is the rise in net migration, increased activity in the housing market and an improved global outlook. Employment intentions suggest that the decline in employment will slow in coming quarters in line with a lift in business confidence and expected trading activity.
- 23 However, this economic recovery, unlike previous recessions, is likely to be subdued. Economic growth is only expected to return to its pre-recession level in the latter half of next year. The high New Zealand dollar will challenge the recovery in the New Zealand economy, limiting the ability of the export sector to drive growth and compensate for a weak domestic sector.
- 24 Despite being in the early stages of economic recovery, it is expected that the weakness in the economy over the past 18 months will continue to filter through to the labour market in coming quarters, although to a lesser extent than seen over the June 2009 and September 2009 quarters. The Department continues to expect the unemployment rate will peak around 7% in the middle of next year.



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).

Labour force participation rate: proportion of the working-age population that is in the labour force (68.0%).

Unemployment rate: proportion of the labour force that is unemployed (6.5%).

Employment rate: proportion of the working-age population that is employed (63.6%).