

Labour market trends: What we know...



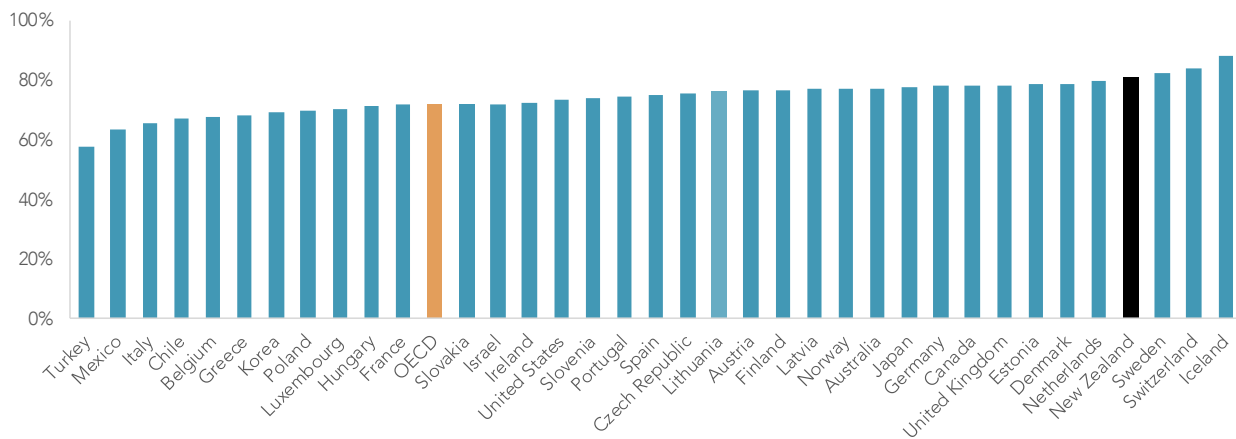
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How a country’s labour market performs has a huge bearing on its overall productivity and wellbeing. Over recent decades, New Zealand’s labour market has seen some significant changes, including to the make-up of the workforce, and the nature of work performed. The Productivity Commission has been analysing some of these trends in preparation for its new inquiry on *Technological Disruption and the Future of Work*.

New Zealand has relatively high labour participation and low unemployment

A high proportion of New Zealanders participate in the workforce compared with other OECD countries. Overall participation in the labour force has increased substantially since the late 1980s.

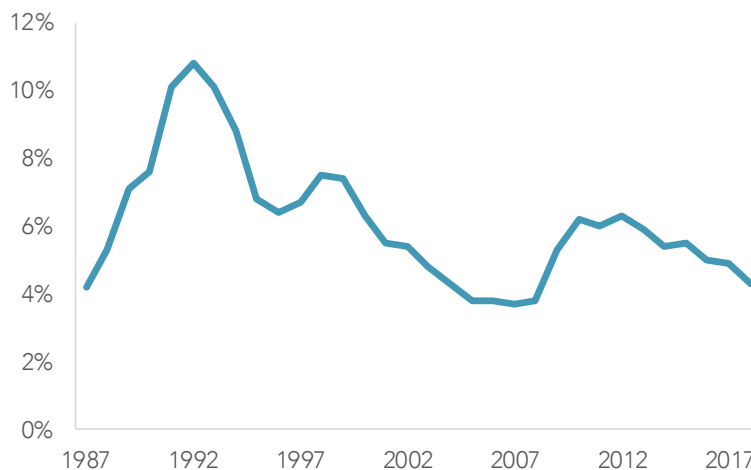
Figure 1 Labour force participation rate across OECD countries, people aged 15-64, 2017



Source: OECD

New Zealand’s unemployment rate currently sits at just over 4%, after peaking in the early 1990s and subsequently declining. Across the country, unemployment rates differ considerably. Higher rates in regions such as Gisborne and Northland have persisted. There are also large disparities between ethnic groups – Māori and Pacific peoples experience much higher levels of unemployment. Young workers and less-educated workers also face higher unemployment. Further analysis is needed to better understand the dynamics between ethnic, regional, education and age disparities in unemployment.

Figure 2 New Zealand’s unemployment rate, 1987-2018



Source: Stats NZ

Figure 3 Unemployment rate by sex, age, ethnicity and highest qualification, 2018



Source: Stats NZ

Note: MELAA refers to Middle-Eastern, Latin American and African people.

Rates of participation among women and older-aged people have increased

Compared to the late 1980s, women, particularly between the ages of 25-34, and people over 60 make up a much greater share of the workforce. Since then, the participation rate for those aged 60-64 has increased by close to 50 percentage points, driven to some extent by the change to the age of eligibility for superannuation in the 1990s.

Figure 4 Labour participation rates by age group and sex

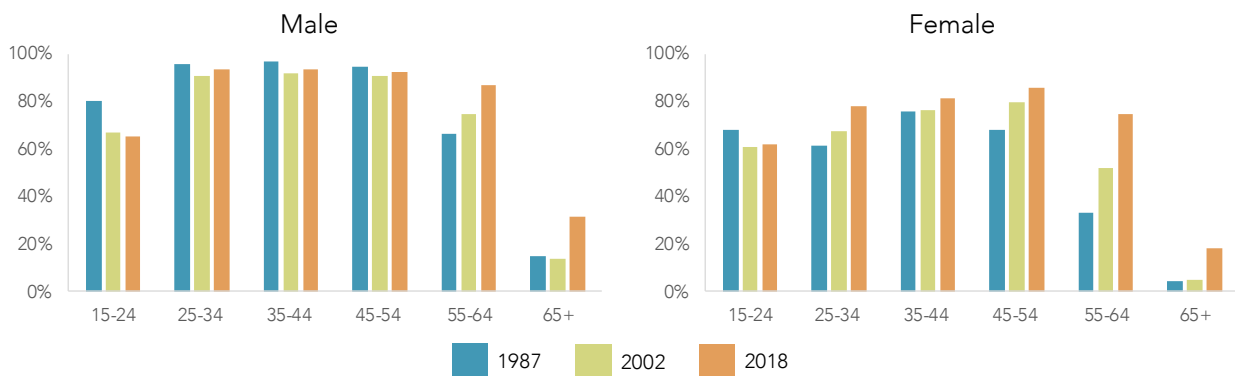
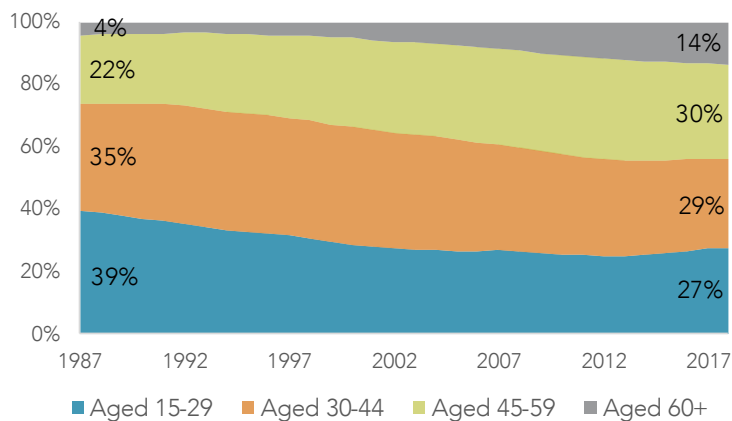


Figure 5 Composition of the labour force by broad age group, 1987-2018

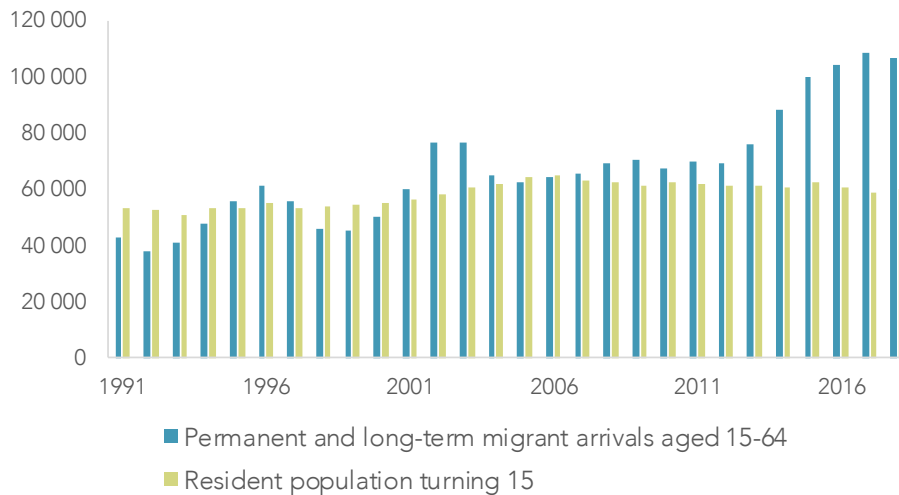


Source: Stats NZ

Migration is a major source of new workers

Because of a surge in immigration, the number of new working-age migrants has, in recent years, been roughly double the number of New Zealand residents turning 15 each year. 43% of immigrants in 2018 arrived using a work visa. High migration levels have been the main driver of the fast growth in the national population. Much of this growth happens in Auckland, where just under half of incoming migrants choose to live, work or study.

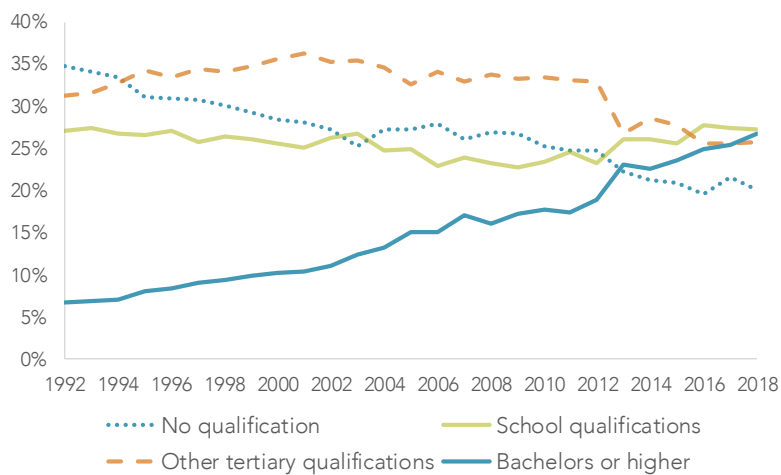
Figure 6 Additions to the working age population - migrants and existing residents, 1991-2018



The average New Zealand worker is much more qualified than in the past

New Zealanders today are much more likely to complete secondary school and pursue higher forms of education than in the past. Over half of the adult population in 1981 held no qualifications; now more than 80% hold a secondary school qualification or higher. Nearly 30% of the adult population holds a degree or higher, compared to about 7% in 1992.

Figure 7 New Zealanders aged 15 and over by highest qualification



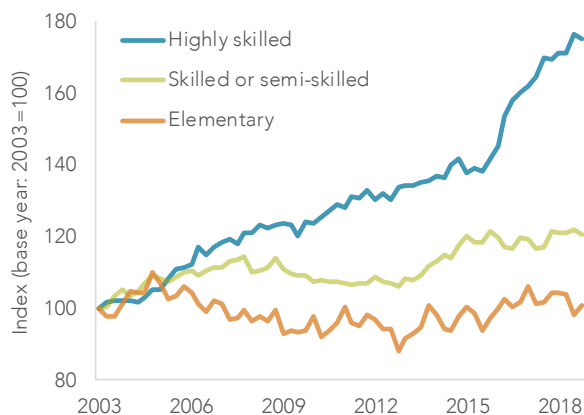
Source: Stats NZ

The nature of jobs has shifted toward services, high-skilled and non-routine jobs...

Between 1989 and 2018, New Zealand saw a large increase in employment in professional, scientific, and technical services, as well as in the health care and social assistance, and construction sectors. In contrast, the share of jobs in manufacturing more than halved from around 23% to 11%.

In terms of specific occupations, the general trend over this period was little growth (or decline) for jobs involving relatively manual or routine tasks (eg, machine operators, clerks, agricultural workers) and large growth for jobs involving non-routine and service-based tasks that tend to require higher-level qualifications (eg, professionals, managers, technicians). It is widely thought that this trend will continue.

Figure 8 Employment growth by skill level



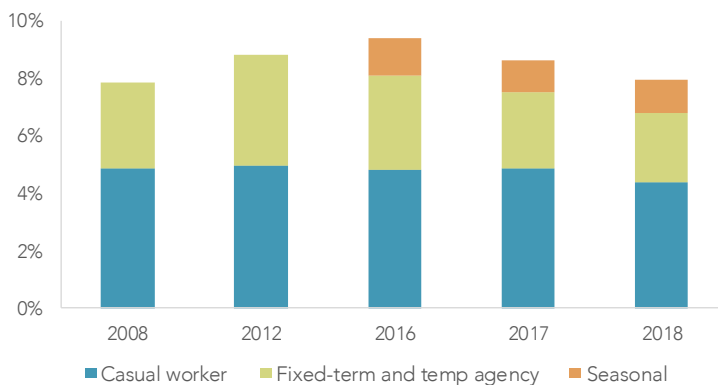
Source: Stats NZ

Note: High-skilled jobs include managers and professionals. Skilled jobs include technicians and trade workers. Semi-skilled jobs include community and personal service workers, clerical and administrative workers, and sales workers. Elementary workers include machinery operators and drivers, and labourers.

... though there is no evidence yet of jobs becoming less secure

Some commentators have talked of the emergence of a gig economy that encompasses more flexible, less secure jobs and more non-standard work arrangements. Yet, to date, there is little data to support this trend. The proportion of jobs that are non-permanent (eg, casual, fixed-term) has remained relatively stable since 2008. Since 2000, there has been no increase in the number of self-employed workers or workers who hold multiple jobs, and a greater share of workers are in full-time jobs relative to part-time jobs, largely because more women have taken up full-time roles.

Figure 9 Non-permanent jobs as a share of total jobs, 2008-2018

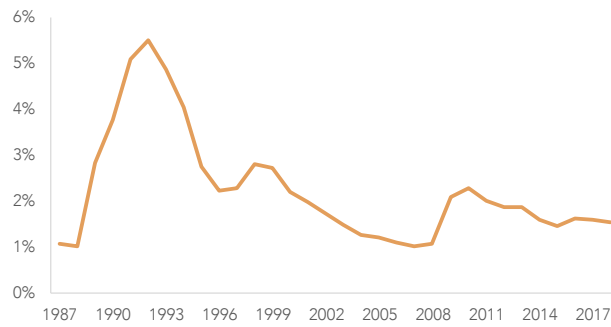


Source: Stats NZ

Rates of job redundancies appear to be low in New Zealand

Rates of job displacement – redundancies due to business closures and structural change – appear to be low by international standards. The best available data from Stats NZ suggests that the percentage of displaced workers, as a share of the total labour force, has been fluctuating around 1.5% since the early 2000s, after peaking in 1992. Displacement rates also seem to differ by region, and are higher among men, older, and less-educated workers. While displacement rates may be low, studies suggest that the negative financial and employment impacts of displacement are on average greater in New Zealand than in other OECD countries.

Figure 10 Involuntary unemployment as a percentage of the total labour force, 1987-2018

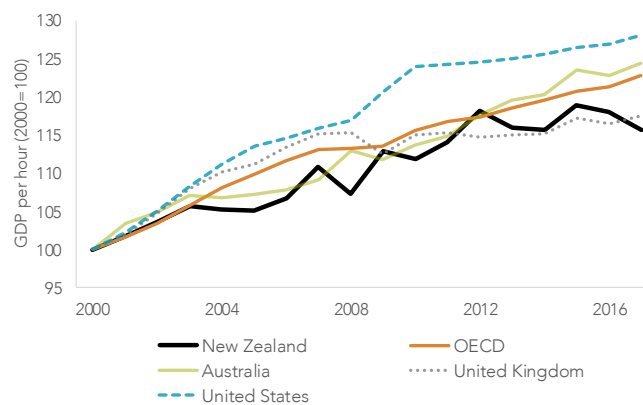


Source: Stats NZ

Growth in labour productivity has lagged behind most other OECD countries

Growth in New Zealand’s labour productivity, measured by the value of goods and services produced per hour of labour, has lagged behind the OECD average since 2000, and has even become negative in recent years. Yet, the average New Zealander works a greater number of hours each year than in many other countries (eg, Australia, United Kingdom and Canada). Together, these two points highlight that while New Zealand is good at ‘working harder’ – adding labour to the economy – it struggles at ‘working smarter’ – raising the value produced from each hour worked.

Figure 11 Relative growth in GDP per hour across selected countries



Source: OECD