



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
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The changing labour market over the past 30 years - and areas of focus coming up

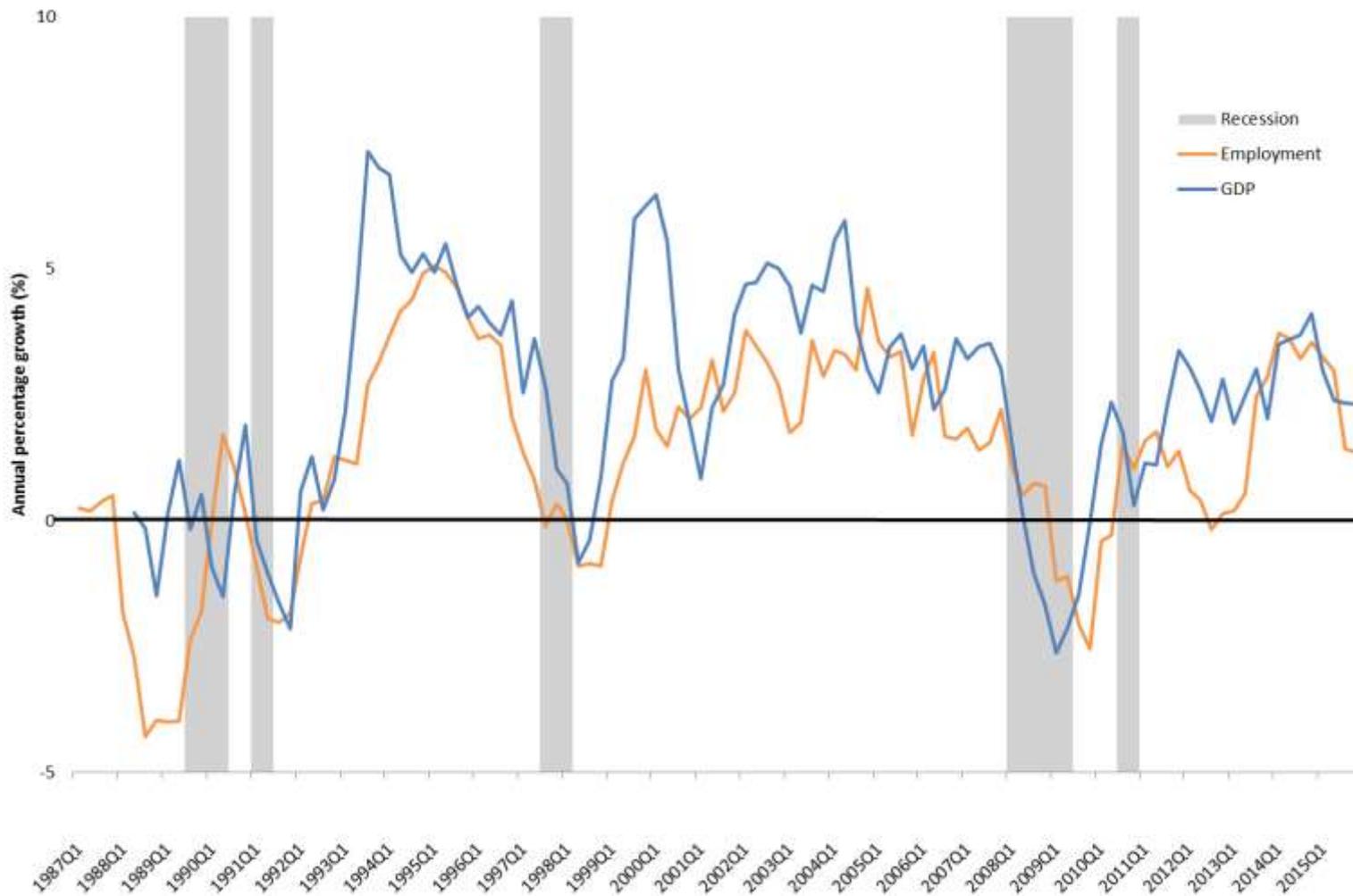
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Celebrating 30 years of the Household Labour Force Survey: 20 April 2016

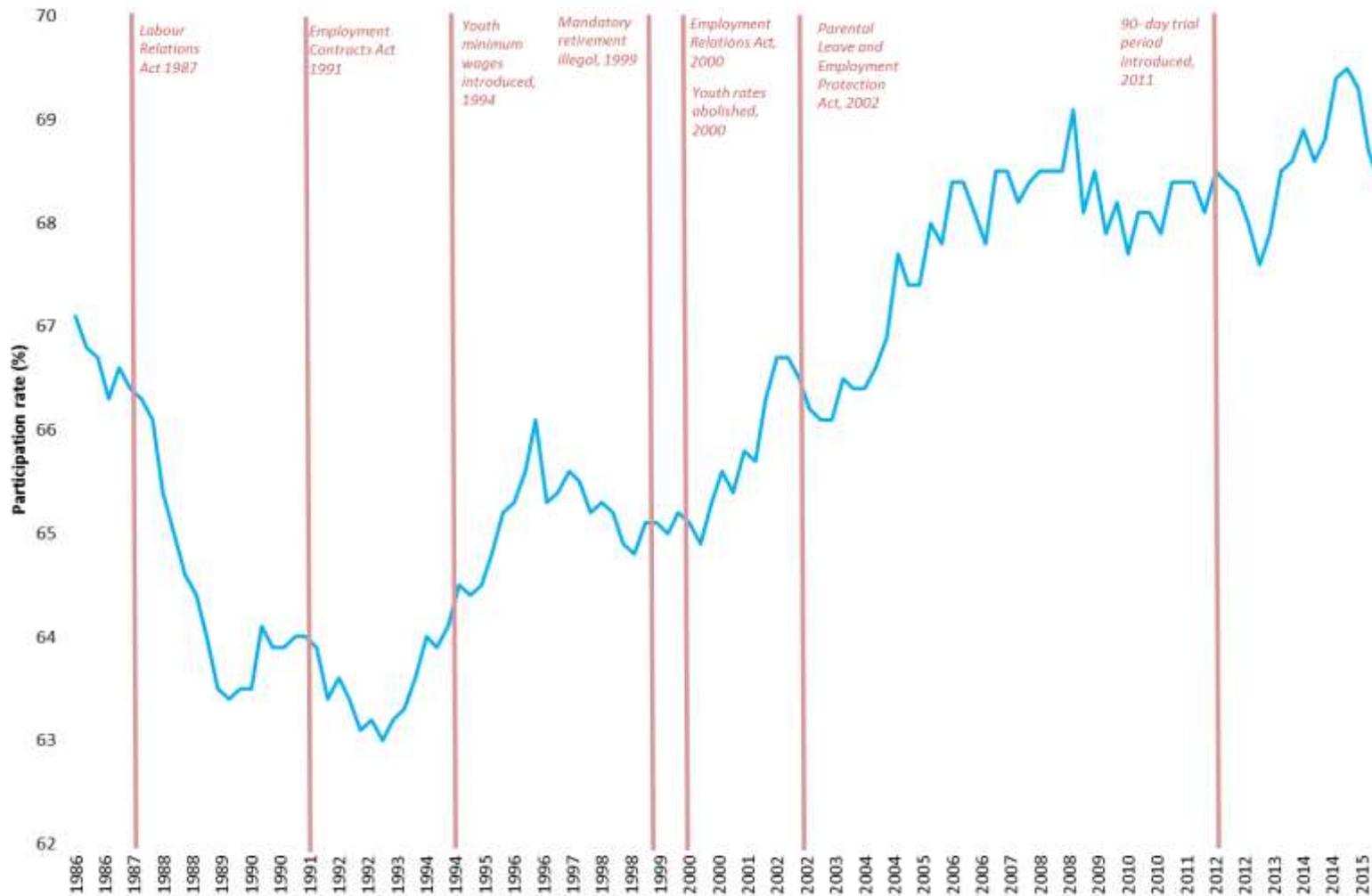


Outline

- Not going to look at whole 30 years. Instead split into the 1986-1992 period and changes since then
- Who is working
 - Focus on age groups
- What are they doing
 - Industries and occupations
- How are they working
 - Hours of work
- Looking ahead



Labour Force Participation – add policy shifts



Drivers of participation change

- Gradual decline in youth participation in line with increase in student numbers, which some business cycle effect.
- More lumpy increase in older workers
 - Dramatic fall in older workers LFP over 1986-92
 - Rose from 1992-2001 with the phased increase in age of entitlement for NZ Superannuation from 60-65 years
 - Accelerated over following 9 years, particularly for 65+
 - Much stronger effects for women.



Regional labour market performance

Annual unemployment rates by regional council area
December 1986



Graphic kindly provided by
Statistics New Zealand



What are they doing

- Service sector increased from 60% to 66% of employment between 1986 and 1992. Now around 73%.
- Biggest drivers:
 - manufacturing from 21% to 11%
 - Agriculture, forestry and fishing from 11% to 6%
- Agriculture/production workers share fell from 42% in 1986 to 36% in 1990
 - and by another 10 pp between 1991 and 2011



How are we working

- Part-time share of employment has barely moved
 - From 17% in 1986 to 22% in 2015
 - All the shift happened between 1986 and 1992
- Wage and salary earners share of employment dropped initially then was flat for over a decade – rising since 2004 from 81% to 86%
 - Largely due to a fall in the number of employers. Self-employed (without employees fairly static between 10% and 12%)
- But the HLFS hasn't captured collective bargaining changes and casualisation

Top-down labour market drivers

- What is the effect of drivers outside the labour market?
- Demographic
 - Ageing population
- Economic
 - International demand for NZ goods and services
 - Composition of the economy
 - Productivity
 - Exchange rate
 - Interest rates



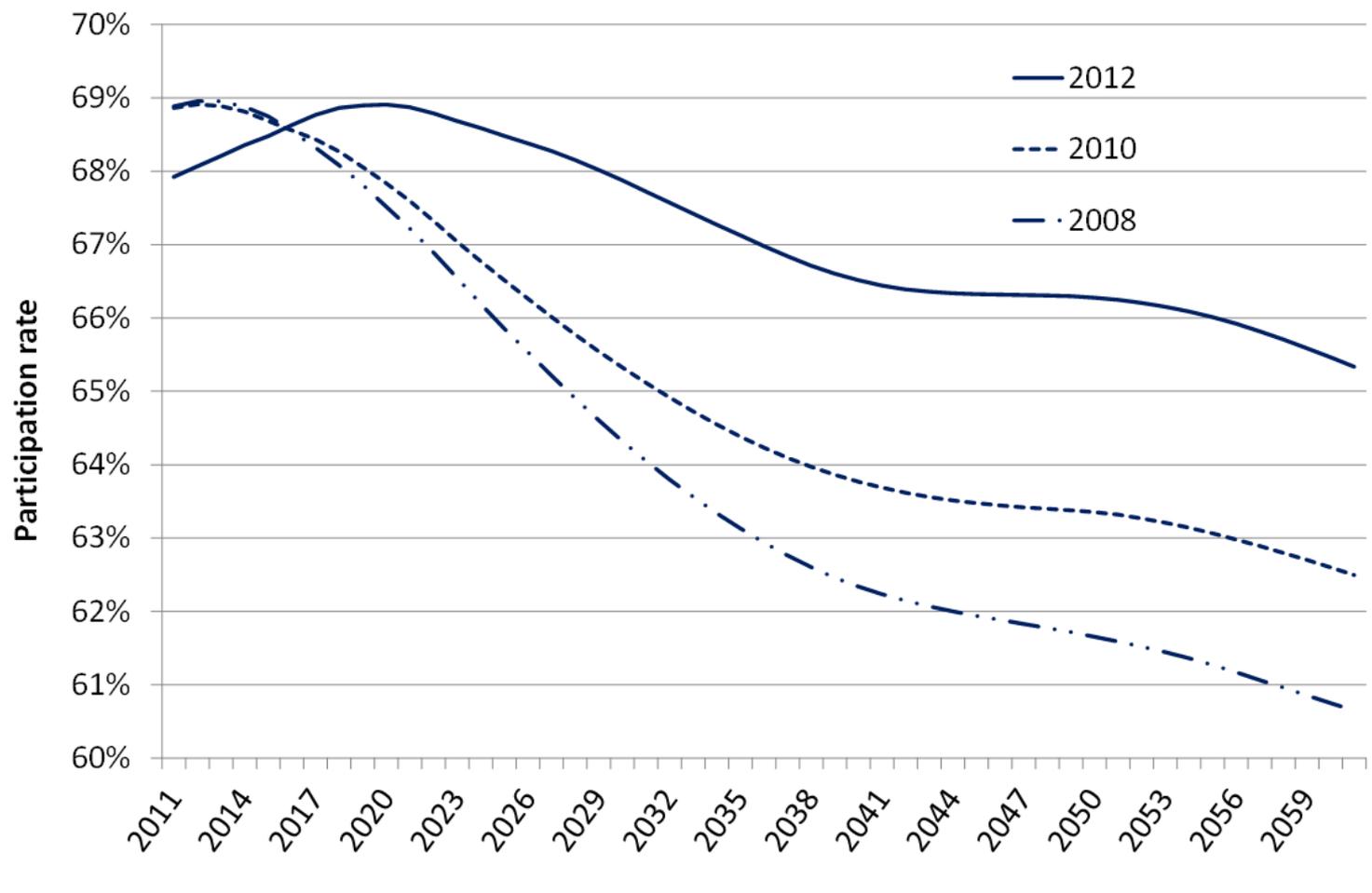
Labour supply and the ageing population

- Ageing population means that more people move into the age groups that participate less in the labour market
- Despite increasing participation within each age group
- Counter-intuitive result that participation in each age group is forecast to go up but overall participation is forecast to fall



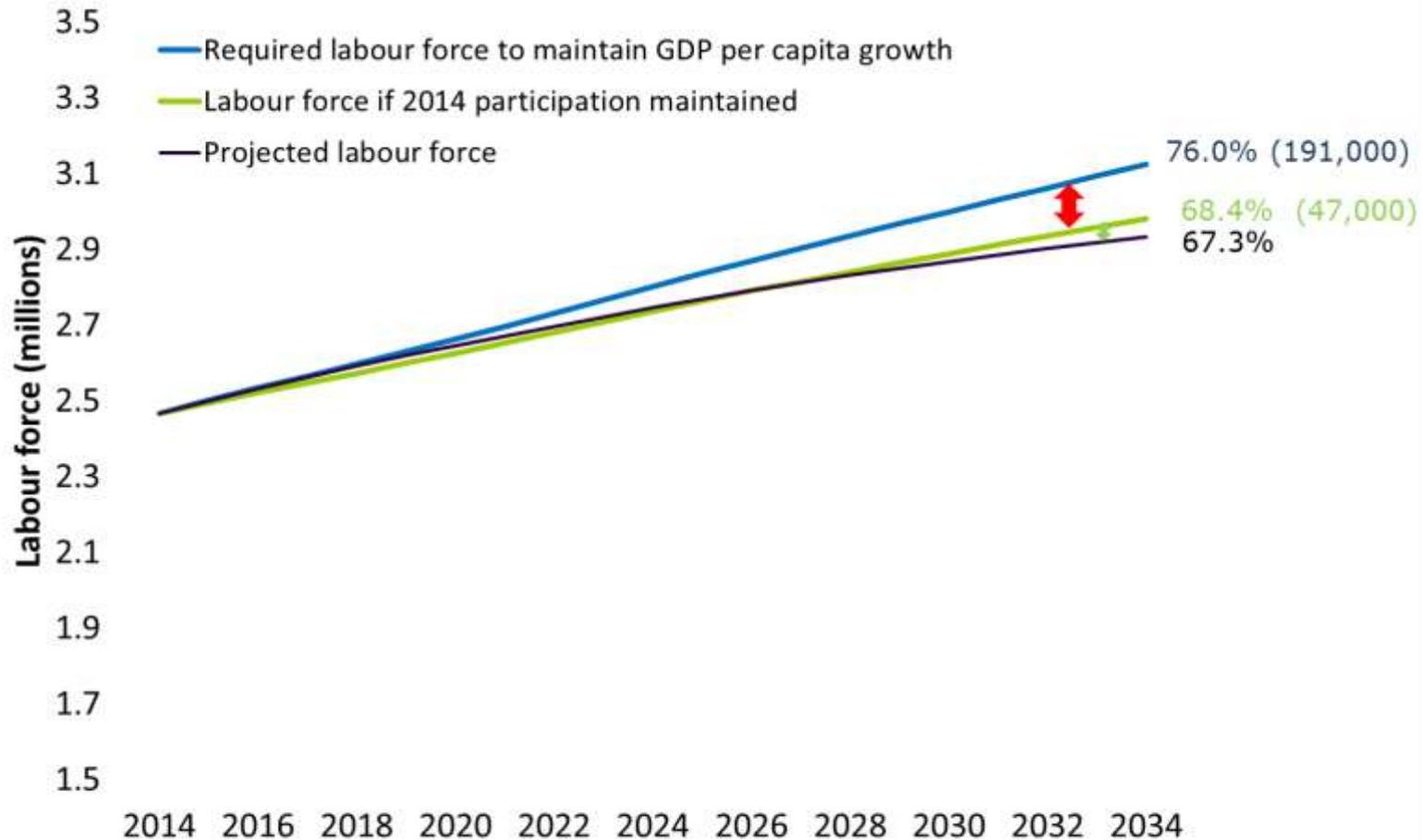
Labour Force Participation

The next 50 years



Source: Statistics New Zealand, Population and labour force projections

Labour supply projections



Sources: Statistics NZ median labour force and population projections and the Treasury's Long-Term Fiscal Model (2013)



Labour supply challenges

- Maintaining economic growth rates in the face of labour supply constraints is a challenge
- Many other countries face a similar challenge
- Increasing migration has only a minor effect
- Raising productivity will be vital as participation rates are already very high

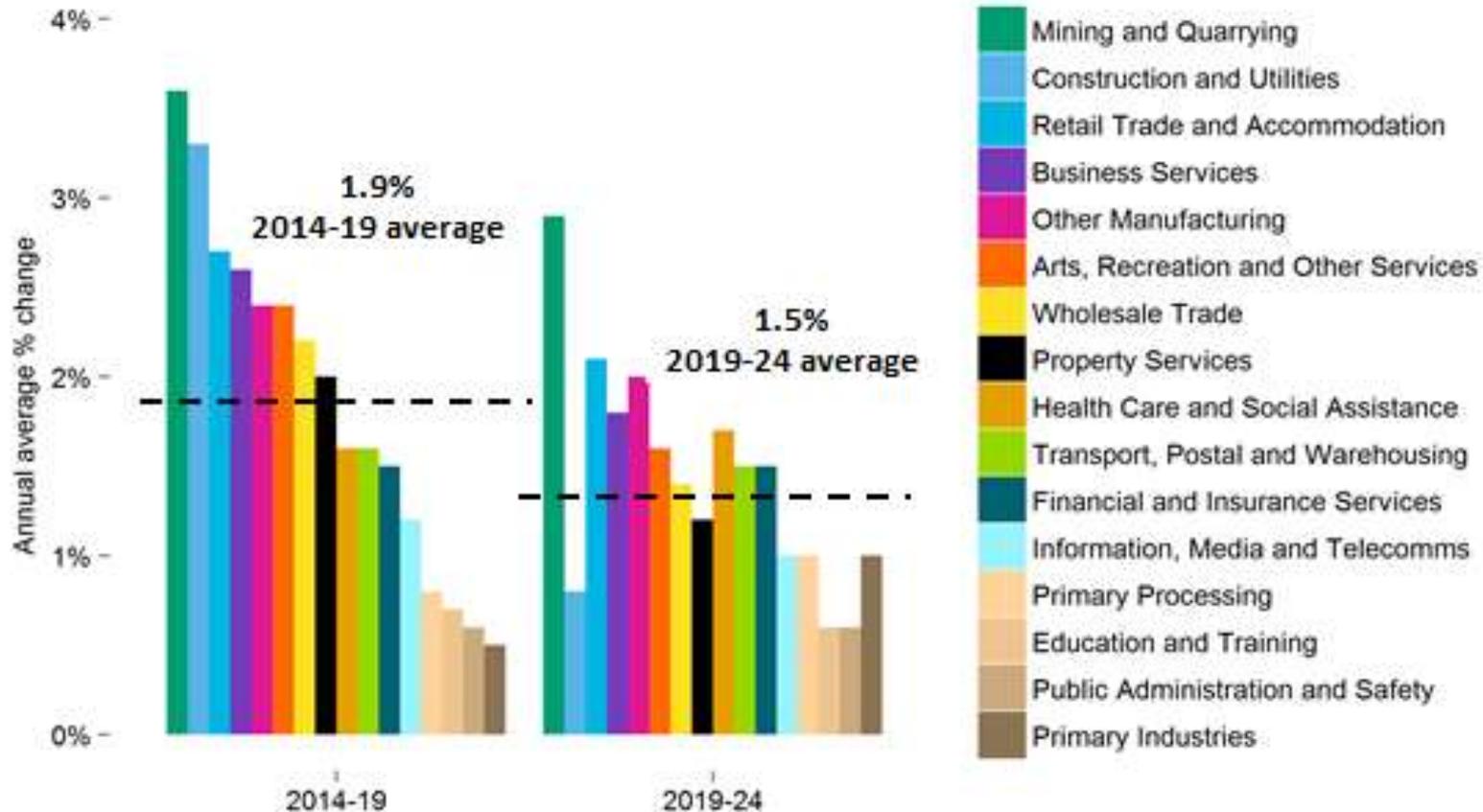


Labour Demand Forecasts: 2013-2023

Annual average percentage change	2014-19 (%)	2019-24 (%)	2014-24 (%)
GDP growth	2.9%	2.8%	2.9%
Labour productivity growth	1.0%	1.3%	1.2%
Employment growth	1.9%	1.5%	1.7%

Skill-levels	2014-19		2019-24		2014-24	
	(000)	(ann. %)	(000)	(ann. %)	(000)	(ann. %)
Highly-skilled	120.9	2.5%	116.9	2.1%	237.8	2.3%
Skilled	31.1	2.2%	19.3	1.3%	50.4	1.8%
Semi-skilled	49.0	1.4%	31.7	0.9%	80.7	1.1%
Elementary skilled	25.1	1.3%	16.1	0.8%	41.2	1.1%
Total	226.2	1.9%	183.9	1.5%	410.1	1.7%

Labour demand forecasts



Areas of focus for MBIE

Changing nature of work

Health and safety

Immigration



Conclusion

- Big shifts in who is working and what they are doing, particularly at the start of the HLFS
- Perhaps smaller than expected shifts in hours of work and employment status, but collective bargaining shifts and casualization not really covered by the old HLFS
- Labour market supply challenges in the future due to the ageing population
- Labour demand forecasts reflect business cycle and population pressures

