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Commentary

Are small businesses less safe?

Summary

On 4 April, the workplace health and safety legislation comes into force. It contains many significant steps for the better. But we were very disappointed that the right of working people to participate in protecting and improving their own health and safety was weakened in many ways. One way was to allow employers with fewer than 20 employees, in all but a short list of “high risk” industries, to refuse requests to have Health and Safety Representatives.

That’s bad enough, but an international finding is that working for small employers is less safe in any case. I analyse ACC claims data and find that in many industries, that is true here.

Looking at all workplaces and industries, someone working in a small firm of around 20 workers is almost a quarter (23%) more likely to suffer a severe injury than one in a large firm, and over half (57%) more likely to suffer any injury.

This could be because high risk industries happen to be mainly small firms, rather than because small firms are in themselves more dangerous. However the most dangerous industries are a mixture: Agriculture, Forestry and Construction for example are dominated by small firms, but Mining, Manufacturing, the utilities (electricity, gas, water) and transport are not. In all these except Manufacturing, the data shows higher severe injury rates in small firms.

If we drill down into each of these groups further, the pattern of smaller firms being less safe continues for most, though not all subsectors. For example in Agriculture the risk of severe injury in a small firm (e.g. a farm) is on average 60% greater than in a large one. In Forestry and Logging, it is 40% greater, in Heavy and Civil Engineering Construction it is two thirds (67%) greater, in Water Transport Support Services (which includes ports) the risk is almost tripled.

An exception is in food processing, the largest sector of manufacturing where risk *increases* with firm size. In the meat industry, the largest subsector, the risk in large firms (at 52 severe injuries per 1,000 workers) is almost double the risk in the smallest firms (28 per 1,000).

While the pattern of risk varies, the data provides strong evidence for small workplaces on the whole being higher risk than large ones. That means that policies that reduce the health and safety requirements of small firms are misguided: they may increase an already higher risk.

More positively, these findings could be used to target assistance and monitoring of higher risk workplaces more effectively.

On 4 April, the workplace health and safety legislation comes into force. It contains many significant steps for the better. But we were very disappointed that the essential right of working people to participate in protecting and improving their own health and safety at work has been weakened in many ways, against the recommendations of its own Taskforce and the evidence. One of the ways worker

participation was weakened was to allow employers with fewer than 20 employees, in all but a short list of “high risk industries” defined in regulations, to refuse to have Health and Safety Representatives even if their employees or contractors said they wanted to have them.

This commentary looks at whether people working for a small employer are less safe by analysing ACC claims data. It finds that in many industries, they are: smaller employers are higher risk.

Playing with the definition of “high risk”

Notably in the Government’s definition, the “high risk industries” excluded agriculture which between 2008 and 2013 was responsible for 20 percent of workplace fatalities, 10 percent of severe injuries (requiring ACC weekly compensation and more than a week off work) but only 5 percent of people working according to WorkSafe data¹.

The Government said it decided on these industries using the WorkSafe data, which includes ACC-based numbers of claims for “severe” work-related injuries (where the worker receives weekly compensation following more than a week away from work) and “non-severe” injuries where the worker’s injury does not result in more than a week away from work. The Government used the fatality and severe injury data to make its choices, adding in maritime, civil aviation and high hazard industries such as mining and adventure tourism, and taking out some subsectors probably due to lobbying. It ignored occupational health risks. For severe injuries, it set an arbitrary threshold of 25 per 1,000 workers over the 6 years 2008-2013 it had data for, against the weight of submissions and its officials’ who favoured a lower threshold of twice the average injury rate (around 20 per 1,000 workers) (Turley, 2016, pp. 16, 18).

That conveniently counted out Dairy farming which was at exactly 25 per 1,000. But it also counted out the whole of agriculture because it decided to define ‘high risk’ at a higher level of industry classification (Level 2 in the Australia and New Zealand Standard Industry Classification, ANZSIC). Averaging out higher and lower risk in the whole of agriculture brought the whole sector below their arbitrary threshold.

The Government disregarded the fundamental principle that workers have a right to choose their own form of representation and participation. But putting that aside for a moment, blunt thresholds are an unsound way to identify ‘high risk’. We have already seen that averaging means missing genuinely high risk subsectors (such as Dairy farming). But there are other problems. For example it disregards much higher risk at certain times of year such as for farmers during calving.

A crucial matter given the change in law is whether workers in smaller businesses are at a higher risk than larger businesses. This is what I consider here. There is international evidence that small businesses are less safe (e.g. Mendeloff, Nelson, Ko, & Haviland, 2006) and a number of reasons to expect it to be so, including lower management capability and more immediate threats to their financial viability.

The data

I obtained data from ACC and Statistics New Zealand for the five years 1 April 2009 to 31 March 2014. All of the results below are an average over those five years. It’s difficult to get data by firm size. ACC don’t know how many employees each employer has: it only knows the total earnings of their employees that are liable for ACC levies – so-called liable earnings. It’s essentially the payroll capped by

¹ Available at <http://www.business.govt.nz/worksafe/research/health-and-safety-data/workplace-injuries-classification>. See the Level 2 data.

maximum earnings liable for ACC. This has been used in some official reports (including data provided by ACC for an Australian government report) as an indicator of firm size so I asked for ACC work-related claims broken down into five firm sizes I nominated (which I call FS1 to FS5). The sizes are as defined in the table to the right. ACC also supplied claim numbers for self-employed people (virtually all fall into FS1). Numbers were provided for both all claims and for severe injuries using WorkSafe’s definition (ACC calls them “entitlement claims”).

Firm size definitions (in terms of liable earnings)		
Firm size	ACC-liable earnings	Average employees
FS1	Less than \$500,000	3
FS2	\$500,001 to \$1,000,000	17
FS3	\$1,000,001 to \$2,500,000	35
FS4	\$2,500,001 to \$5,000,000	76
FS5	Greater than \$5,000,000	462
<i>All firms</i>		<i>11</i>

Statistics New Zealand were able to provide matching information by firm sizes FS1 to FS5 for numbers of firms, employees and self-employed (using the LEED database). All were provided down to Level 3 of the ANZSIC industry classification. Using this I was able to calculate claim rates per 1,000 people and average firm size in terms of employees (also in the accompanying table)¹. So FS1 represents micro firms with an average of around 3 employees (usually plus self-employed owners). FS2 is around the upper end of the “less than 20 employees” group, with an average of around 17 employees. FS3 and FS4 are getting into medium size firms (at least for New Zealand) averaging 35 and 76 employees respectively, and FS5 is large firms, averaging 462 employees. The size categories appear to have achieved a reasonable spread of firm sizes.

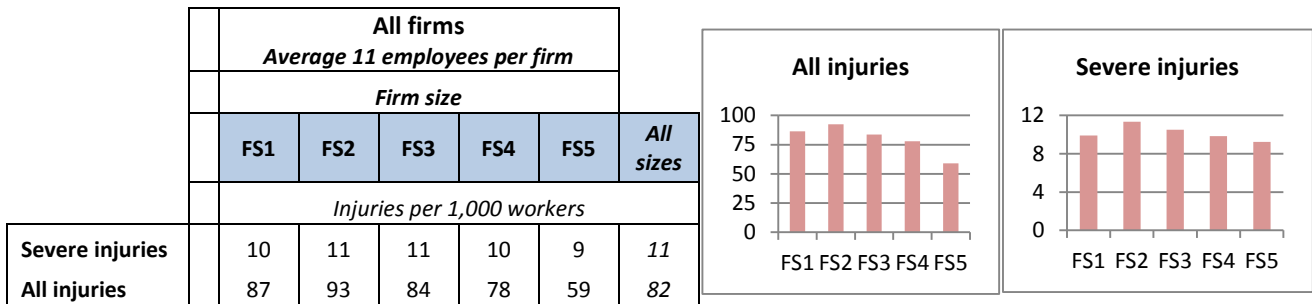
ACC claim data has limitations in recording harm at work. People can suffer significantly from serious injuries that do not necessarily require a week or more off work. It is weak on occupational diseases, which account for the great majority of fatalities every year (estimated at 500-800).

There is also significant non-reporting of injuries. For example a University of Otago study of farming found that “only a third of those experiencing injury and loss of work time in this study made a compensation claim to the Accident Compensation Corporation” (Lovelock & Cryer, 2009, p. 23). There is also suggestive evidence in this data that there is under-reporting by self-employed people: their rates of claims in the majority of industries are lower than for employees in similar sized industries despite other evidence that their injury rate may in fact be higher. That will lower the apparent injury rate in the smallest firms. Self-employed people have less incentive to report for weekly compensation claims because they are not paid for the first week off work. Non-reporting can also result from employers pressuring employees not to claim or to claim as a non-work injury. Employers in the self-insurance Accredited Employers programme or under experience rating may have an interest in doing that.

The results: are small firms less safe?

At the highest level, when averaging across all industries, small firms are the least safe. A person (whether an employee or self-employed) working in a small firm of around 20 workers (size FS2) is almost a quarter (23%) more likely to suffer a severe injury than one in a large firm (11 severe injuries per 1,000 workers compared to 9), and over half (57%) more likely to suffer any injury (93 injuries per worker compared to 59). See the table and charts on the next page.

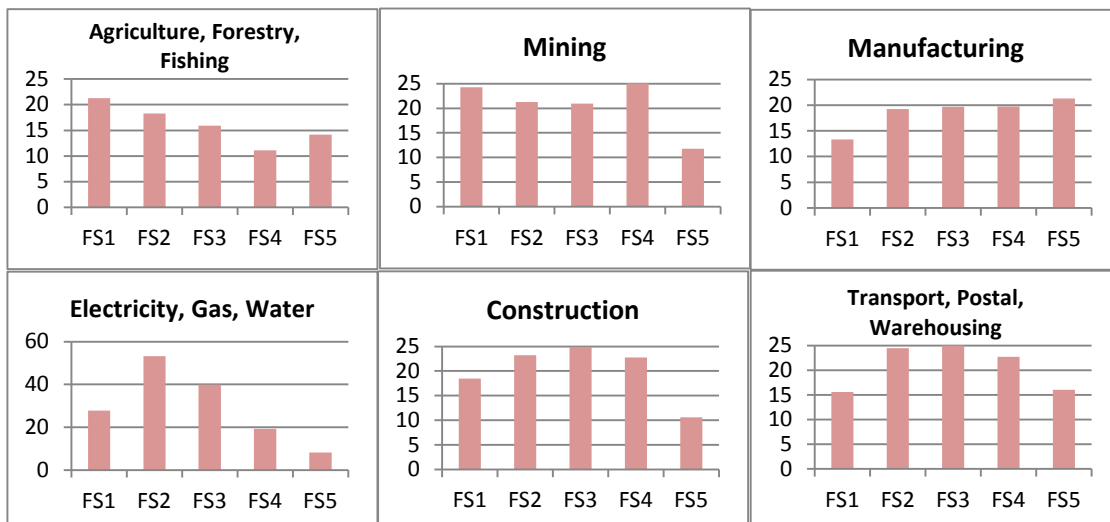
¹ There are several technical issues which I outline at the end of this commentary. In particular average firm size in terms of employees varies by industry (quite a lot) and by year (a little).



However this could be because high risk industries like agriculture and forestry are mainly small firms, rather than because small firms are in themselves more dangerous. The table below shows the most dangerous industries at the coarsest level of industry classification (level 1). Two of the largest – Agriculture, Forestry and Fishing, and Construction – are dominated by small firms with an average firm size overall of 4 and 5 employees respectively. However the largest high-risk industry, Manufacturing is dominated by larger firms, with an average firm size of 18 employees, compared to the economy average of 11. So are the smaller industries of Mining, Electricity, Gas and Water Supply, and Transport, Postal and Warehousing. So the higher risk of small firms is not just due to industry structure.

However, not all the high-risk industries at this level show the pattern of smaller firms being more dangerous. Manufacturing shows an opposite trend: the larger the firm the more dangerous it is with the largest firms having a 60 percent higher injury rate than the smallest firms. However in the others, smaller firms are higher risk, though for Construction, and for Transport, Postal and Warehousing, the

	Firm size					All sizes	Average employees	Workers incl self-employed
	FS1	FS2	FS3	FS4	FS5			
	Severe Injuries per 1,000 workers							
A Agriculture, Forestry, and Fishing	21	18	16	11	14	21	4	162,500
B Mining	24	21	21	27	12	16	23	7,100
C Manufacturing	13	19	20	20	21	20	18	254,400
D Electricity, Gas, and Water Supply	28	53	40	19	8	16	29	16,200
E Construction	18	23	25	23	11	20	5	179,600
I Transport, Postal and Warehousing	16	25	25	23	16	19	14	97,600



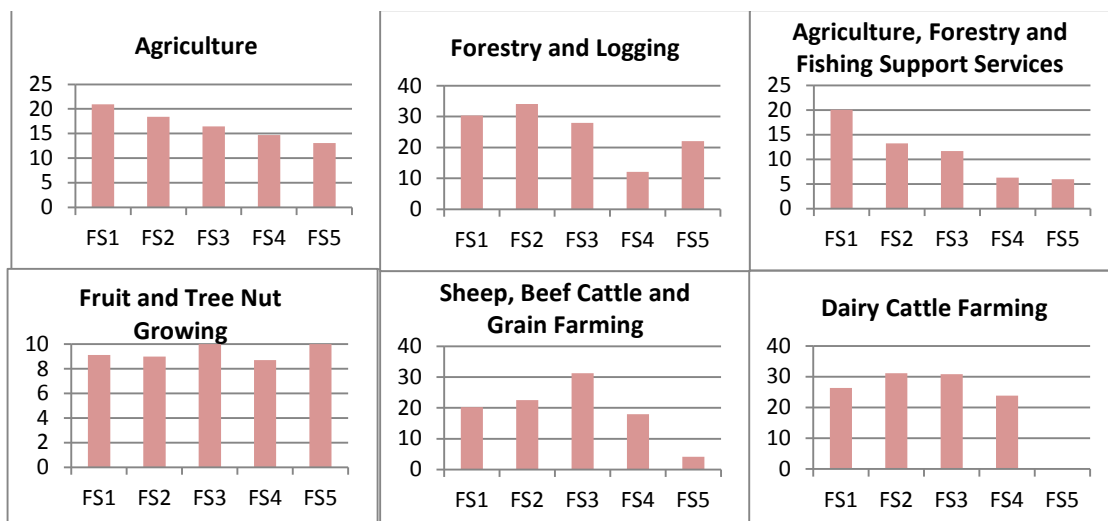
greatest danger is more towards the medium sized firms with lower risk at each end of the range. The lower risk of smaller firms could be affected by under-reporting by self-employed people. Even so, it is notable that Construction, large firms are much less dangerous with less than half the risk of severe injury (at around the New Zealand average of 11 per 1,000 workers) than small to medium sized firms, whose workers suffer 23 to 25 severe injuries per 1,000 workers.

Mining and Electricity, Gas, and Water Supply are small industries so their injury can vary more than larger industries from year to year, but both show much lower severe injury rates in the large firms which dominate them.

Agriculture

Drilling down further into the detail of industry classifications to level 2, Agriculture by itself shows a steep decline in severe injury rates with greater firm size, though like all the level 2 categories in Agriculture, Forestry and Fishing, it is heavily dominated by the smallest (FS1) firms with 94,100 of the sector's 119,400 employees. The decline in injury rates by firm size is also seen in Forestry and Logging, and Fishing, Hunting and Trapping, and Agriculture, Forestry and Fishing Support Services. However firm numbers of size FS4 or FS5 are tiny, and the same is true of size FS3 for Aquaculture and Fishing, Hunting and Trapping. Though larger firms are relatively scarce in Agriculture, in Forestry and Logging, and in Agriculture, Forestry and Fishing Support Services they still employ appreciable numbers of employees – 6,100, 300 and 2,900 respectively.

		Firm size					All sizes	Average employees	Workers incl self-employed
		FS1	FS2	FS3	FS4	FS5			
		Injuries per 1,000 workers							
A01	Agriculture	21	18	16	15	13	21	3	119,400
A02	Aquaculture	24	82	88			60	5	500
A03	Forestry and Logging	30	34	28	12	22	31	7	6,100
A04	Fishing, Hunting and Trapping	31	82	7	0		47	2	2,700
A05	Agric, Forestry, Fishing Support Services	20	13	12	6	6	17	9	33,800
A013	Fruit and Tree Nut Growing	9	9	10	9	10	10	9	22,600
A014	Sheep, Beef Cattle and Grain Farming	20	23	31	18	4	22	2	33,800
A016	Dairy Cattle Farming	26	31	31	24		28	3	40,900



Going down a further level to look at the largest agricultural subsectors – Fruit and Tree Nut Growing, Sheep, Beef Cattle and Grain Farming, and Dairy Cattle Farming – there is a more mixed picture. Fruit and nut growing has relatively low severe injury rates for all firm sizes. Sheep, Beef Cattle and Grain Farming has a few larger employers and there is a steep fall in severe injury rates for the larger firms, though the peak risk is at FS3 (average employees 35). However risks are still high for the smaller employers, at 20 and 23 severe injuries per 1,000 workers, about double the average rate of 11.

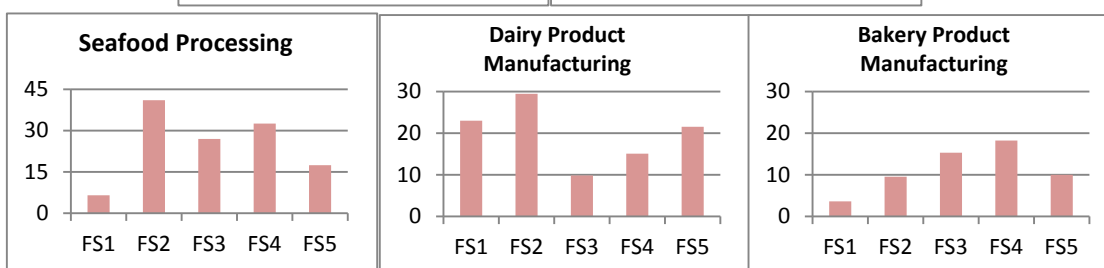
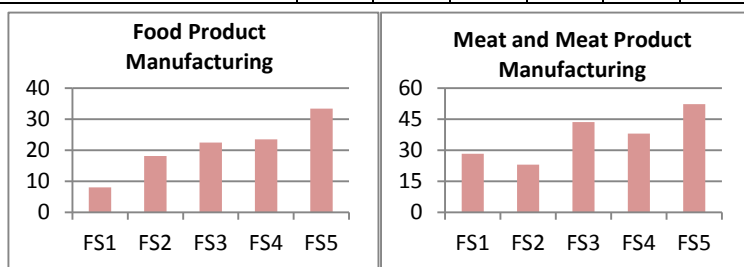
There are no large (FS5) firms in Dairy farming, and though the severe injury rate is flatter than for agriculture as a whole, the peak is very high at 31 severe injuries per 1,000 workers at FS2 (average 17 employees) and FS3 (average 40 employees). Even for the smallest employers, the severe injury rate is 26 per 1,000 workers (which again may hide under-reporting). These rates are well above double the average rate and above the arbitrary 25 per 1,000 set by the Government.

Manufacturing

Now moving to Manufacturing, by far the largest subsector is Food Product Manufacturing with 82,900 employees out of the 254,400 total. It appears to be the main reason for Manufacturing having rising injury rates with firm size, because in many other subsectors, larger employers are lower risk (for example the large sectors of Wood Product Manufacturing, Fabricated Metal Product Manufacturing, and Machinery and Equipment Manufacturing).

Even within the Food Product Manufacturing sector, there is a mixed picture. The largest subsector, Meat and Meat Product Manufacturing has a clear upward trend as firm size increases, so a worker in

		Firm size					All sizes	Average employees	Workers incl self-employed	
		FS1	FS2	FS3	FS4	FS5				
		Injuries per 1,000 workers								
C11	Food Product Manufacturing	8	18	22	23	33	29	39	82,900	
C111	Meat and Meat Product Manufacturing	28	23	44	38	52	51	144	31,300	
C112	Seafood Processing	7	41	27	33	17	19	95	8,500	
C113	Dairy Product Manufacturing	23	29	10	15	22	21	143	12,200	
C117	Bakery Product Manufacturing	4	10	15	18	10	9	13	15,100	



the largest firms that dominate the sector (average size 960 employees) has more than twice the risk of a severe injury compared to an FS2 employer (average 19 employees). Seafood processing has a very low risk among very small processors, but the risk leaps from 7 severe injuries per 1,000 workers to 41 in FS2 sized firms (average 25 employees) and falls to 17 for the largest firms (average 620 employees) – though that is still well above the very small employers.

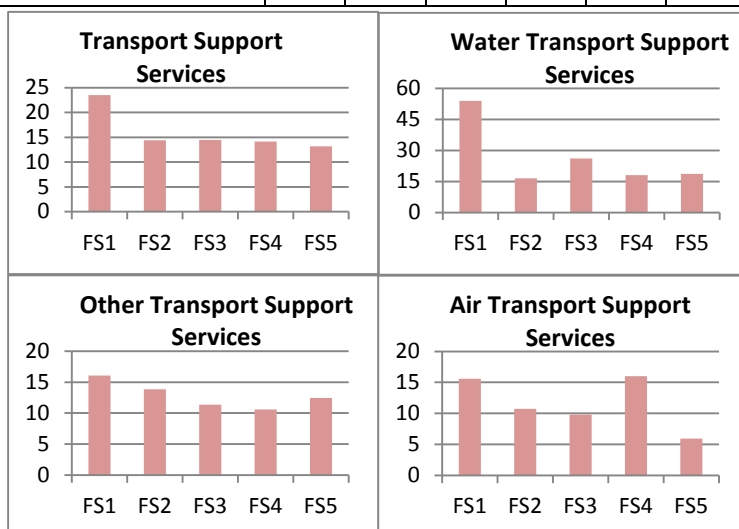
Food Product Manufacturing was the only Manufacturing subsector designated ‘high risk’ by the Government. But there are high severe injury rates in other subsectors including Leather tanning and Fur Dressing (38 severe injuries per 1,000 workers), Log Sawmilling and Timber Dressing (26, with up to 41 in small to medium employers), and Other Fabricated Metal Product Manufacturing (32, with 37 to 47 for small to medium employers).

Construction, Transport

The whole of Construction was recognised as ‘high risk’ despite the Government’s own data showing Heavy and Civil Engineering Construction to have lower fatality and severe injury rates than Agriculture. Our data shows similar severe injury rates to Agriculture and a clear trend of rates being higher in small firms, which are common in the sector. Heavy and Civil Engineering is the third largest subsector with 32,200 workers of whom 22,400 are in the largest firms (FS5, average size 575). Workers in the largest firms have less than half the risk of severe injury as a worker in an FS2 sized firm (average size 15 employees), at 10 severe injuries per 1,000 workers compared to 23, and higher for medium sized firms.

In the Transport, Postal and Warehousing sector, only Air Transport (Civil Aviation) and Water Transport (Maritime New Zealand) were recognised as high risk, presumably influenced by the risk of catastrophic events. However Road Freight Transport has a very high severe injury rate at 30 per 1,000 workers (spread relatively uniformly among firm sizes, though lower for the smallest firms). Water Transport

		Firm size					All sizes	Average employees	Workers incl self-employed
		FS1	FS2	FS3	FS4	FS5			
		Injuries per 1,000 workers							
I52	Transport Support Services	24	14	14	14	13	16	24	16,700
I521	Water Transport Support Services	54	16	26	18	19	23	35	5,100
I522	Air Transport Support Services	16	11	10	16	6	8	53	2,500
I529	Other Transport Support Services	16	14	11	11	12	15	18	9,100



Support Services includes port operations which are known to be dangerous workplaces. It has an overall severe injury rate double the average at 23 per 1,000, but that rate almost triples from 19 for the largest employers to 54 for the smallest employers.

In conclusion

We can learn much more from this data, but there is strong evidence that in important *genuinely* high-risk industries, including agriculture, smaller firms can mean higher risk to workers. That means that policies that reduce the health and safety requirements of small firms are misguided: they may increase an already elevated risk. However there are some industries – notably food processing and especially the Meat industry – where the risks actually increase with size. All these findings need further investigation and explanation. More positively, they could be used to target assistance and monitoring more effectively to higher risk workplaces.

Acknowledgement

Thanks to ACC and Statistics New Zealand staff who provided the data and showed great patience in helping to sort through the options and problems. They carry no responsibility for my analysis.

Technical note

Bill Rosenberg

I can supply the data on request. The ACC data is in three sets, each over the six years ended March from 2010 to 2015: one for wage and salary earners, one for self-employed, and one for “Directors/Shareholders” which corresponds to those “Shareholder/Employees”¹ who do not pay themselves a salary nor PAYE. The latter group is treated the same as employees by ACC, so a small proportion of self-employed are mixed in with the wage and salary earner data set. That introduces a discrepancy with the Statistics New Zealand data set of employee numbers, but it is unlikely to be large. For this reason, the above analysis looks only at the full labour force including both employees and self-employed, because that should eliminate this problem. The ACC data includes fatalities which led to an ACC claim, and claims made under the Accredited Employer scheme.

The Statistics New Zealand data provides firm and labour force data. It is sourced from LEED on a special data request for the 5 years end March 2014. LEED enables both detailed industry breakdowns and availability of liable earnings data to calculate the firm sizes. There are some signs that the match is not perfect: there are some cells in which there are some claims but no employees for example, but the numbers are small. Members of the labour force are included on the basis that their main source of income is in the industry and of the specified type (wage and salary or self-employed). This means that for example some secondary employment, temporary or casual labour may be unaccounted for despite corresponding injury claims being present in the ACC data. The advantage of using it is that it is consistent with the approach taken for the WorkSafe data mentioned above (and internally consistent), and it reduces, though by no means eliminates, the problem that LEED is unable to provide hours worked, so we cannot tell to what extent we are accounting for length of exposure to the work environment.

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¹ See <http://www.acc.co.nz/for-business/shareholder-employees>

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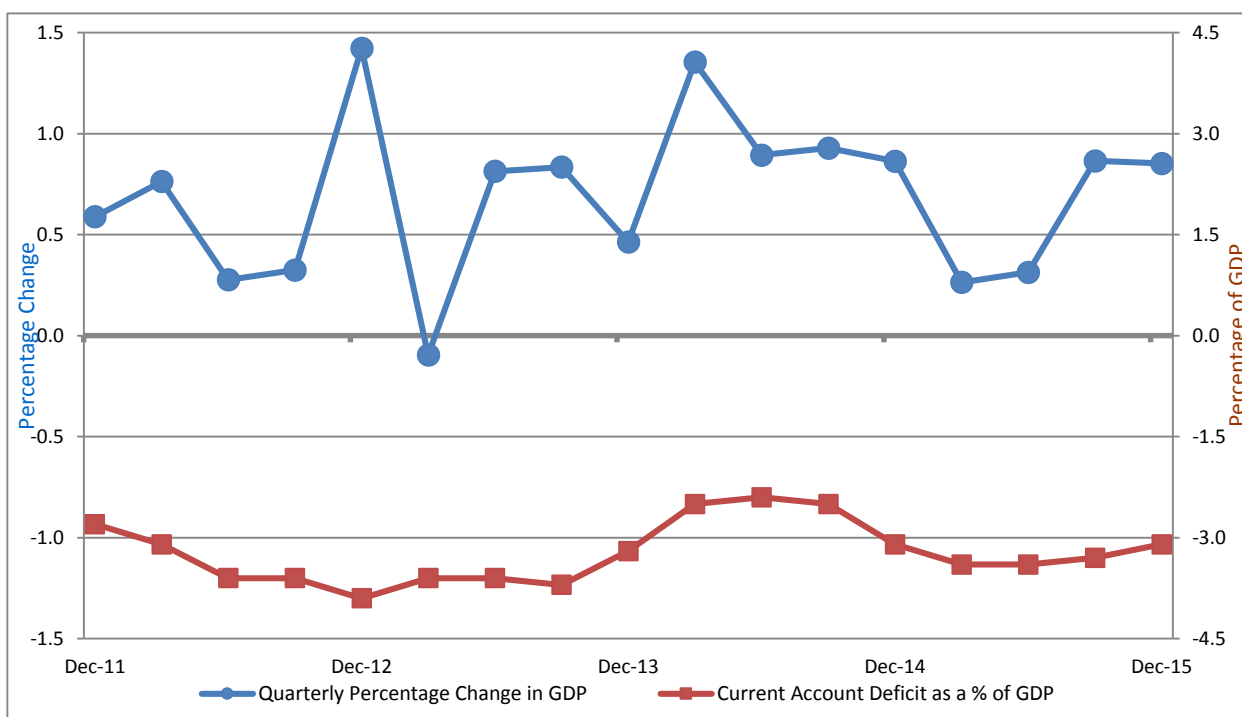
A ★ indicates information that has been updated since the last bulletin.

Forecast

★ This [NZIER forecast](#) was released on 14 March 2016.

Annual Percentage Change (March Year)	2015-16	2016-17	2017-18	2018-19
GDP	2.2	2.6	3.0	2.5
CPI	0.4	1.6	1.9	1.9
Private Sector average wage	2.6	2.4	2.5	2.7
Employment	1.5	2.2	2.0	1.8
Unemployment rate	5.8	5.6	5.3	5.1

Economy

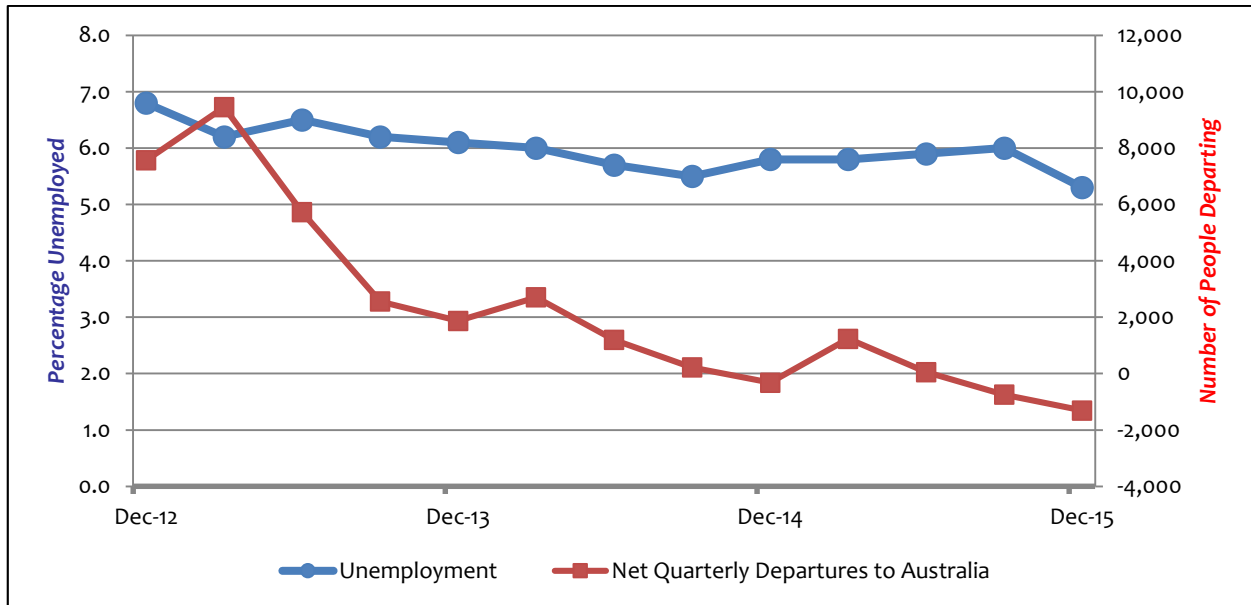


- ★ Growth in New Zealand's economy was strong in the December 2015 quarter, with [Gross Domestic Product](#) rising by 0.9 percent, compared to 0.9 percent in the September quarter and weak quarterly increases of 0.3 percent in June and 0.3 percent in March. The growth in the latest quarter was mainly due to strong growth in Construction activity (up 2.5 percent), Retail Trade and Accommodation (up 1.7 percent), Financial and Insurance Services (up 1.2 percent), Professional, Scientific, Technical, Administration and Support (up 1.5 percent), Health Care and Social Assistance (up 0.8 percent) and Arts, Recreation, and Other Services (up 2.0 percent). Manufacturing activity fell by 0.4 percent led by a sharp fall in the largest sector Food, Beverage and Tobacco Manufacturing (down 4.1 percent) with Printing, down 3.4 percent, not far behind. Partially counterbalancing these were Textile, Leather, Clothing, and Footwear Manufacturing (up 9.4 percent) and Wood and Paper Products Manufacturing (up 4.5 percent). Agriculture (down 1.7 percent), Local government administration (down 1.5 percent), Electricity, Gas, Water, and Waste Services (down 1.3 percent), Mining (down 0.6 percent) and Forestry and Logging (down 0.3 percent) also fell. Growth for the year ended December 2015 was 2.5 percent. However GDP is barely keeping up with the rapidly growing population: GDP per person grew only 0.3 percent in the December quarter, and 0.6 percent over the year. Worse, real gross national disposable income per capita, which takes into account that some income that goes overseas in interest and dividends to overseas investors and the falling prices for some of our main exports, fell 0.1 percent in the December quarter, as it had also done in September, and fell 0.4 percent over the year. Output per hour worked in the economy grew only 0.7 percent in the year to December, indicating weak productivity growth. Business investment fell 2.6 percent over the three months and 1.4 percent over the same period last year. As a whole, the economy is undergoing deflation with the GDP deflator (a price index for revenue from the economy's production) fell 1.2 percent in the quarter following a fall of 0.7 percent in the three months to September.
- ★ New Zealand recorded a [Current Account](#) deficit of \$1.9 billion for the December 2015 quarter in seasonally adjusted terms (\$2.6 billion actual), compared to a \$1.7 billion deficit in the September quarter and \$2.1 billion in the June quarter. There was another deficit in the goods trade (\$810 million, seasonally adjusted, following a \$533 million deficit in the September quarter) and a surplus of \$167 million (\$458 million in September) in goods and services, while the deficit on primary income (mainly payments to overseas investors) stayed steady at \$2.1 billion compared to \$2.2 billion in September. For the year to December 2015, the current account deficit was \$7.7 billion or 3.1 percent of GDP compared to an \$8.1 billion deficit in the year to September (3.3 percent of GDP). The deficit on investment income was \$8.7 billion.
- ★ The country's [Net International Liabilities](#) were \$151.2 billion at the end of December 2015 (61.9 percent of GDP) similar to the \$151.1 billion (61.4 percent of GDP) at the end of September, but down from the \$153.8 billion (64.6 percent of GDP) in December 2014. The rise in liabilities was due to a \$2.5 billion net outflow of investment partially offset by market value changes without which the net liabilities would have been \$153.1 billion. New Zealand's international debt was \$276.1 billion (112.2 percent of GDP), of which 31.3 percent is due within 12 months, compared to \$136.8 billion in financial assets (other than shares; 55.6 percent of GDP), leaving a net debt of \$139.3 billion (56.6 percent of GDP). Of the net debt, \$11.6 billion was owed by the government including the Reserve Bank (equivalent to 4.7 percent of GDP and up from \$9.6 billion in September) and \$98.5 billion by the banks (40.0 percent of GDP), which owed \$58.6 billion to related parties. Total insurance claims owed by overseas reinsurers from the Canterbury

earthquakes are estimated at \$20.2 billion, and at 31 December 2015, \$17.5 billion of these claims had been settled, leaving \$2.6 billion outstanding.

- ★ [Overseas Merchandise Trade](#) for the month of February saw exports of goods rise 9.3 percent from the same month last year while imports rose only 2.8 percent. This created a trade surplus for the month of \$339 million or 8.0 percent of exports. In seasonally adjusted terms, exports fell 5.5 percent or \$243 million over the month (compared to a 9.5 percent rise the previous month) led by falls in Fruit (down 43.0 percent or \$107 million), Meat (down 8.0 percent or \$44 million) and Dairy (down 3.3 percent or \$33 million) but offset by rises in Mechanical Machinery and Equipment (up \$13 million or 9.2 percent), Wine (up \$13 million or 9.4 percent) and Seafood (up \$10 million or 7.8 percent). Seasonally adjusted imports fell 5.3 percent or \$235 million over the previous month, creating a trade deficit of \$130 million compared to a \$144 million deficit in the previous month. Imports rose in Petroleum and Products (up \$41 million or 12.5 percent), Textiles and textile articles (up \$33 million or 13.9 percent), and Electrical machinery and equipment (up \$24 million or 6.6 percent). Imports of Mechanical machinery and equipment fell (down 6.5 percent or \$34 million).
- ★ The [Performance of Manufacturing Index](#)¹ for February 2016 was 56.0, a fall from 58.0 in the previous month. The employment sub-index was at 48.5, a sharp fall from 54.7 in the previous month.
- ★ The [Performance of Services Index](#)¹ for February 2016 was 56.9, a rise from 55.4 in the previous month. The employment sub-index rose to 53.5 from 50.9 in the previous month.
- The [Retail Trade Survey](#) for the three months to December 2015 showed retail sales rose 5.3 percent by volume and 4.4 percent by value compared with the December 2014 quarter. They rose 1.2 percent by both volume and value in the quarter, seasonally adjusted. By value, the largest positive contributors to the increase in the quarter were Specialised food (up 2.9 percent), Non-store and commission retailing (which includes internet purchases) which was up 3.7 percent, Hardware, building and garden supplies (up 5.5 percent), Accommodation (up 6.0 percent), and Fuel (up 2.5 percent). The largest fall was in Recreational goods (down 2.6 percent). Supermarket and grocery stores, the largest single sector, was static at 0.0 percent change by value and 0.1 percent rise by volume.
- ★ On 10 March 2016 the Reserve Bank reduced the [Official Cash Rate \(OCR\)](#) to 2.25 from 2.5 percent, having reduced it from 2.75 percent to 2.5 percent on 10 December signalling further reductions. The next OCR review will be announced on 28 April 2016.
- ★ According to [REINZ](#), the national median house price rose \$20,000 or 4.7 percent to \$450,000 in February 2016 compared to a year before and up just \$2,000 or 0.4 percent on the previous month. The Auckland median price rose 11.1 percent over the year and 4.2 percent on the previous month. Excluding Auckland the national median price rose \$33,000 or 9.4 percent to \$383,000 compared to a year before. There were 53 fewer sales under \$400,000 compared to the same month a year ago taking the number to 3,026, a rise of 98 to 675 in the \$1 million plus range, and 217 more to 1,656 in the \$600,000 to \$999,999 range. Sales under \$400,000 accounted for 41.5 percent of sales in the month but 44.5 percent in the same month a year before.

Employment



- According to the [Household Labour Force Survey](#) the unemployment rate in the December 2015 quarter unexpectedly fell to 5.3 percent or 133,000 people, compared to 6.0 percent in September (150,000 people), seasonally adjusted. Treasury and other forecasters had predicted a substantial rise. It would not be a surprise if it rose again in the March quarter. This is the first fall since September 2014 and has not been this low since March 2009, though is still more than half as much again than the 3.4 percent it was in December 2007. It is also 5.3 percent actual (not seasonally adjusted) or 132,500 people, down a relatively modest 9,400 from 141,900 or 5.5 percent a year before. By contrast, there were 259,400 people jobless (including the officially unemployed), up 2,200 from 257,600 a year before, and there were 92,800 part-timers who wanted more work, down 20,200 from a year before. Part of the reason for the fall in official unemployment appears to be a fall in the participation rate, including people discouraged from looking for work. The participation rate (the proportion of the working age population either in jobs or officially unemployed) fell from 68.7 percent to 68.4 percent over the three months, and from 69.4 percent a year before, all in seasonally adjusted terms. There are 37,100 unemployed people who have been out of work for more than 6 months (down from 40,800 a year before), and they are 28.0 percent of the unemployed compared to 28.8 percent a year before. Those out of work for more than a year is at 10.9 percent of the unemployed compared to 11.1 percent a year before. Compared to OECD unemployment rates, New Zealand has 10th equal lowest (out of 34 countries), an improvement on the 15th equal in September.
- In the North Island, only Waikato (5.1 percent) and Taranaki (4.1 percent) has unemployment below the 5.3 percent average for the country (not seasonally adjusted), though it fell over the year in all but Bay of Plenty where it worsened from 5.7 percent in December 2014 to 6.2 percent in December 2015. Gisborne/Hawkes Bay with 6.7 percent (8.0 percent a year before), and Manawatu-Wanganui with 6.8 percent (9.2 percent a year before) are particularly hard hit. Auckland's unemployment rate was 5.4 percent (compared to 5.8 percent a year before). The South Island looks considerably better, with Tasman/Nelson/Marlborough/West Coast at 4.2 percent,

Canterbury at 3.9 percent, Otago at 4.5 percent and Southland at 4.1 percent. All except Tasman/Nelson/Marlborough/West Coast are higher than a year ago.

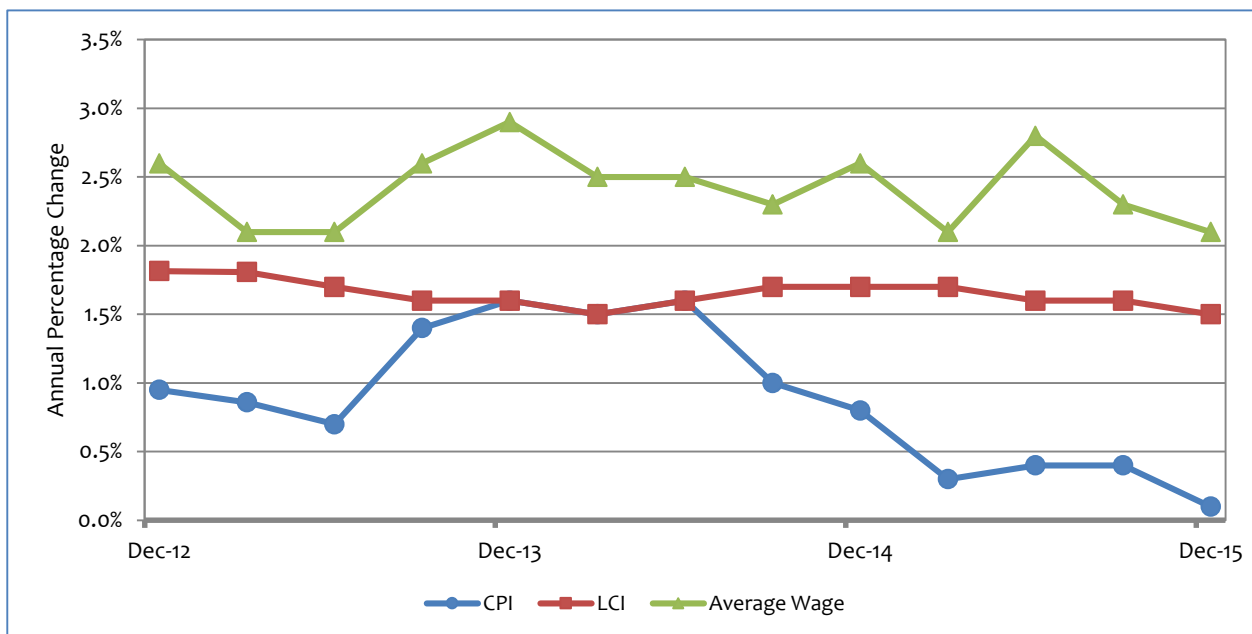
- By industry, over the year 85 percent of the increase in employment came from Construction (27,500 workers out of a 32,200 increase), followed by Professional, scientific, technical, administrative, and support service (7,200 people) and Education and training (7,900 people). However this was offset by falls led by Arts, recreation, and other services (down 4,100 people), Transport, postal, and warehousing (down 5,100 people) and Wholesale trade (down 3,100 people). During the December quarter however, employment increased in all industries except Mining, and Wholesale trade, creating an increase in employment following six months of falls. Over the year, employment in the Services sector was static, it fell by 1,000 in the Primary sector, but rose by 29,300 in the Goods sector (mainly due to Construction).
- The seasonally adjusted female unemployment rate at 5.7 percent was considerably higher than for men (5.0 percent), though both fell from the previous quarter (6.5 percent and 5.5 percent respectively). Māori unemployment fell from 12.2 percent in December 2014 to 10.6 percent, and Pacific people's unemployment fell from 11.4 percent to 9.7 percent over the year.
- Youth unemployment for 15-19 years was 23.0 percent, up from 21.4 percent in September and 21.2 percent a year before; for 20-24 year olds it was 9.0 percent, down from 11.6 percent in September and 11.5 percent a year before, all in seasonally adjusted terms. The Not in employment, education, or training (NEET) rate for 15-19 year olds was 6.5 percent, down from 6.7 percent in September and 7.8 percent a year before while for 20-24 year olds it was 15.0 percent, barely changed from 14.9 percent in September and 14.8 percent a year before. For the whole 15-24 year old group, unemployment was higher for those in education (17.6 percent) than those not in education (11.1 percent). There were 71,000 people aged 15-24 years who were not in employment, education, or training (NEET).
- The [Ministry of Social Development](#) reports that at the end of December 2015 there were 122,927 working age people on the Jobseeker benefit, a fall of 1,704 from a year before but a rise of 2,026 from 120,901 in September 2015 (the third quarterly rise). At December 2015, 67,670 were classified as 'Work Ready', and 55,257 were classified as 'Health Condition or Disability'. A total of 301,349 were on 'main' benefits, 7,796 fewer than a year before and 14,182 more than September 2015. It was 31,617 more than in December 2007. Of 41,059 benefits cancelled during the three months to December, 19,190 or 46.7 percent obtained work, 14.7 percent transferred to another benefit and 1.7 percent became full time students.
- ★ [Job Vacancies Online](#) for February 2016 showed the number of job vacancies fell by 3.6 percent in the month and rose 4.2 percent over the same month a year previously in seasonally adjusted terms. Over the year, vacancies in Auckland rose 9.2 percent, Wellington 8.1 percent, rest of the North Island 3.0 percent, South Island other than Canterbury 0.2 percent, while Canterbury fell 7.4 percent. However vacancies fell in all regions over the month. By industry, the greatest annual increases were in Construction and engineering which rose 9.2 percent, Accounting, HR, legal and administration which rose 5.6 percent, and Hospitality and Tourism which rose 4.4 percent, while at the other end of the scale, Information Technology fell 3.9 percent and Healthcare and medical fell 1.5 percent. Vacancies in all industry groups fell over the month except for Construction and engineering, and Education and training. By occupation, the greatest rise over the year was in

Technicians and Trades workers (up 7.8 percent), Clerical and Administration (up 5.7 percent), Managers (up 4.4 percent) and Labourers (up 4.2 percent). Vacancies fell in all occupational groups.

★ [International Travel and Migration](#) data showed 10,640 permanent and long-term arrivals to New Zealand in February 2016 and 4,570 departures in seasonally adjusted terms, a net gain of 6,070. There was an actual net gain of 67,391 migrants in the year to February. Net migration to Australia in the year to February was 1,606 arrivals, with 24,204 departures and 25,810 arrivals. However there was still a net loss of 3,896 New Zealand citizens. For the month of February, there was a seasonally adjusted net gain from Australia of 120 compared to a loss of 190 a year before. In February, 10.4 percent of the arrivals had residence visas, 37.7 percent student visas, 24.9 percent work visas, and 4.0 percent visitors. A further 22.4 percent were New Zealand or Australian citizens.



Wages and prices

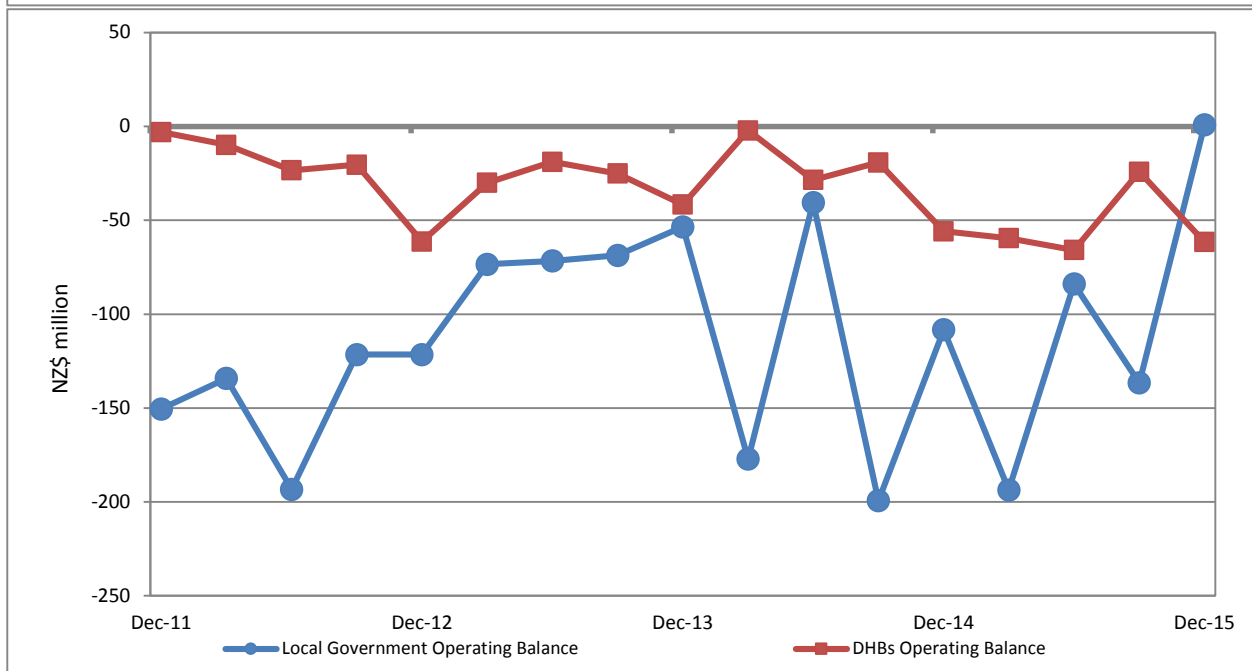
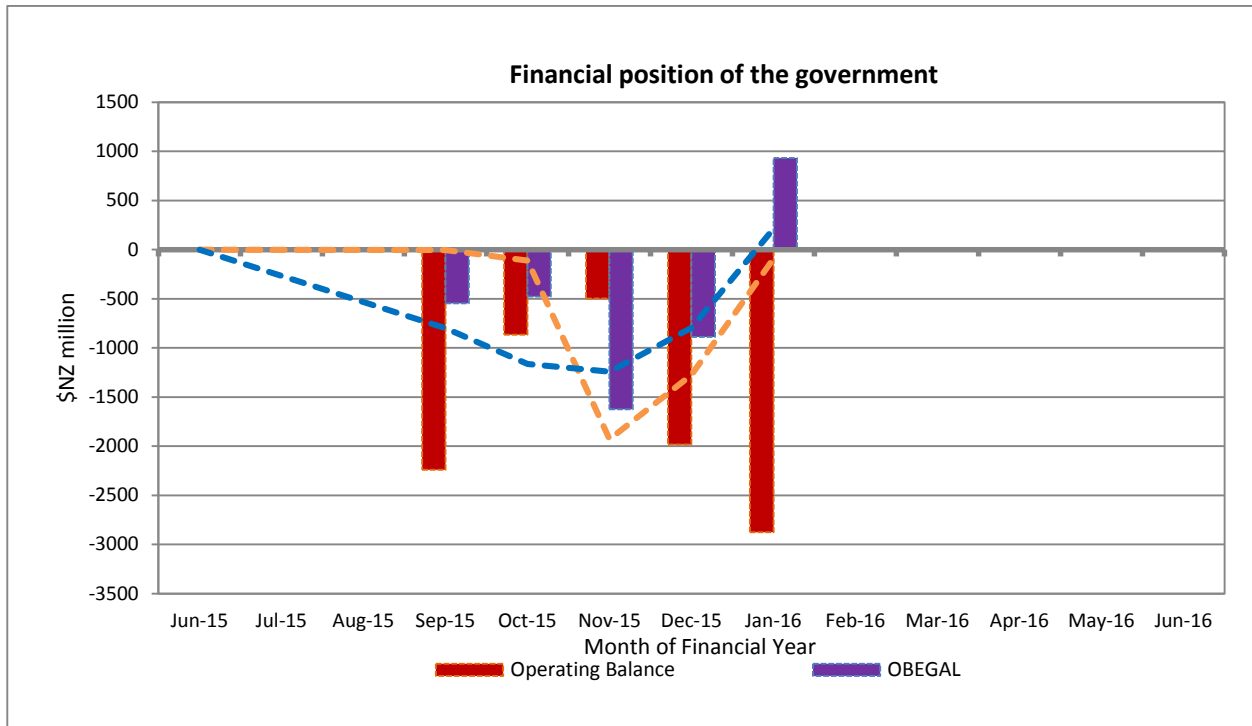


○ The [Labour Cost Index](#) (LCI) for salary and ordinary time wage rates rose 0.4 percent in the three months to December 2015. The LCI increased 1.5 percent in the year to December, ahead of the 0.1 percent increase in the CPI. It increased 0.5 percent in the public sector and 0.4 percent in the private sector in the three months to December. Over the year it rose 1.3 percent in the public sector and 1.6 percent in the private sector. During the year, 46 percent of jobs surveyed did not receive a pay rise, and 49 percent did not in the private sector. For the 54 percent of those surveyed who received an increase in their salary or wage rate during the year, the median increase was 2.4 percent and the average increase was 3.0 percent. For those jobs that received increases, the median increase in the public sector was 2.0 percent and in the private sector 2.5 percent; the average increase in the public sector was 2.3 percent and in the private sector 3.2 percent. We estimate that jobs on collective employment agreements were 2.3 times as likely to get a pay rise as those who were not, and are more likely to get a pay rise of any size ranging from less than 2 percent to more than 5 percent. Only 43 percent of jobs that were not on a collective got a pay rise

during the year. In the construction industry, salary and ordinary time wage rates in Canterbury are now rising more slowly than in the rest of the country: 0.4 percent in the quarter in Canterbury compared to 0.5 percent in the rest of the country; and over the year to December, 1.3 percent in Canterbury compared to 1.9 percent elsewhere. For those getting a rise, Canterbury wage rates rose 3.6 percent compared to 4.0 percent elsewhere.

- The [Quarterly Employment Survey](#) for the three months to December 2015 found the average hourly wage for ordinary-time work was \$29.38, up 0.3 percent on the previous quarter and up 2.1 percent over the year. The average ordinary-time wage was \$27.44 in the private sector (up 0.2 percent in the quarter and up 2.5 percent in the year) and \$36.53 in the public sector (up 0.4 percent in the quarter and up 1.5 percent in the year). Female workers (at \$27.14) earned 13.3 percent less than male workers (at \$31.30) for ordinary time hourly earnings.
- The [Consumer Price Index](#) fell 0.5 percent in the December 2015 quarter compared with the September quarter, and increased just 0.1 percent for the year to December. For the quarter, Housing and household utilities (up 0.5 percent), including Home ownership (up 1.2 percent) and rents (up 0.65 percent), Passenger transport (up 6.1 percent) and Real estate services (up 3.5 percent) were the largest upward influences. Those offsetting them were led by Food (down 2.1 percent), Alcoholic beverages and tobacco (down 1.0 percent), Transport (down 1.2 percent, despite the rise in Passenger transport, mainly due to a 7.0 percent fall in the price of petrol and 8.2 percent in other vehicle fuels and lubricants), Communications (down 0.8 percent), and Personal care (down 0.8 percent). Inflation in Canterbury for the year was negative 0.3 percent, the third time it has been below the national average since June 2011. It was *negative* 0.3 percent in Wellington and negative 0.2 percent in the rest of the South Island. In Auckland it was 0.5 percent and 0.1 percent in the North Island other than Auckland and Wellington. Housing costs rose at the average rate of 2.8 percent in Canterbury for the year, second only to Auckland, which rose 3.9 percent, compared to 1.6 to 2.4 percent elsewhere. In seasonally adjusted terms, the CPI fell 0.2 percent from September, Food fell 0.5 percent, Clothing and footwear fell 0.1 percent, Housing and household utilities rose 0.8 percent, Communications fell 0.8 percent, Recreation and culture fell 0.8 percent, and Education rose 0.7 percent.
- ★ The [Food Price Index](#) fell by 0.6 percent in the month of February 2016 (rising 0.2 percent in seasonally adjusted terms). Food prices fell 0.5 percent in the year to February. Compared with January, fruit and vegetable prices fell 2.6 percent (but fell 0.4 percent seasonally adjusted); meat, poultry, and fish prices fell 0.5 percent; grocery food prices fell 0.3 percent (down 0.3 percent seasonally adjusted); non-alcoholic beverages fell 0.7 percent; and restaurant meals and ready-to-eat food prices rose 0.1 percent.

Public Sector



★ According to Treasury’s [Financial Statements of the Government of New Zealand](#) for the seven months ended 31 January 2016, core Crown tax revenue was \$446 million higher than forecast in the 2015 Half Year Economic and Fiscal Update (HYEFU). PAYE was 1.4 percent (\$227 million) above forecast and GST was \$220 million (2.2 percent) above forecast. Core Crown revenue was \$200 million (0.5 percent) above forecast, the higher tax revenue being offset by interest revenue being \$240 million below forecast “largely due to some financial derivatives being replaced at maturity, whereas they had been forecast to mature into interest-bearing deposits”. Core Crown expenses were \$403 million (0.9 percent) below forecast. As a result, the Operating Balance before Gains and Losses (OBEGAL) was \$934 million in surplus, \$724 million better than forecast. The Operating

Balance was a \$2.9 billion deficit, \$2.8 billion worse than expected, “largely due to \$2.2 billion of higher than expected actuarial losses on the ACC liability arising from the impact of changes in valuation assumptions used, compared to that in the forecast. In addition, the New Zealand Superannuation Fund had net losses on financial instruments of \$1.2 billion, reflecting unfavourable market conditions during January.” Net debt at 25.4 percent of GDP (\$61.8 billion) was \$1.2 billion better than the \$63.0 billion forecast. Gross debt at \$85.8 billion was \$584 million better than forecast.

- ★ [District Health Boards](#) recorded combined deficits of \$47.0 million for the seven months to January 2016. This is \$6.2 million worse than their plans. The Northern region was \$1.3 million behind plan with a surplus of \$8.0 million and three of the four DHBs in surplus (Northland being the exception). The Midland region was \$1.3 million ahead of plan with a combined deficit of \$9.9 million and all DHBs in deficit. Central region was \$8.6 million behind plan and all DHBs in deficit including Capital and Coast at \$6.0 million and Hawke’s Bay at \$6.6 million, for a total \$22.5 million. The Southern Region was \$2.5 million ahead of plan with a \$22.7 million deficit and three of the five DHBs in deficit including Canterbury at \$8.2 million and Southern at \$15.6 million. The DHB furthest ahead of plan was Southern by \$4.7 million, and MidCentral was furthest behind, by \$4.3 million. The Funder arms were in surplus by \$48.0 million, and Provider arms in deficit by \$97.2 million.
- ★ [Local Government](#) recorded a 5.7 percent (\$122.8 million) rise in operating income and a 0.6 percent fall in operating expenditure (\$14.8 million) including a 1.8 percent fall in employee costs for the December 2015 quarter compared to September 2015. This resulted in an operating surplus of \$0.9 million in the December quarter, compared with a deficit of \$136.6 million in the September quarter, and deficits in all the quarters back to March 2008 with the exception of June 2010, all in seasonally adjusted terms. Note that the latest quarter results are provisional and seasonally adjusted figures are revised with each release.

Notes

- 1 For the Performance of Manufacturing Index (PMI) and Performance of Services Index (PSI) a figure under 50 shows the sector is contracting; above 50 shows that it is growing. Previous month’s figures are often revised and may differ from those published in a previous Bulletin.

This bulletin is available online at <http://www.union.org.nz/economicbulletin177>.

For further information contact [Bill Rosenberg](#).