



NEW ZEALAND COUNCIL OF TRADE UNIONS

Te Kauae Kaimahi

CTU Monthly Economic Bulletin

No. 214 (October 2019)

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Commentary

Unions as a public good

Summary

Union members benefit from a pay premium and other advantages resulting from their collective action and voice. But do unions provide a wider benefit to society over and above what they do for their members? Economists call a situation like this, where the benefits can't be limited to individuals and can be experienced by many people at once, a 'public good'. Are unions a public good?

The public seems to think so. A Victoria University survey of randomly selected electors after the 2017 election found that 72 percent agreed with the statement "trade unions are necessary to protect workers". Similarly, 65 percent were neutral or disagreed with the statement that "trade unions in NZ have too much power".

This commentary describes some of the reasons why unions can be regarded as a public good.

Unions are a strong force to **reduce inequality**. There is a large body of international research on this. They do it partly through collective bargaining but also by advocating effectively for progressive legislation, taxation and social protections. High inequality is bad for society and the economy. Reduced inequality is a benefit shared by the great majority of people.

A related benefit is **reducing gender inequities**. Unions, often with allies in society, have been the instigators of many of the advances in equal pay and pay equity over the decades, and for policies like paid parental leave and affordable quality child care. These benefit women in paid and unpaid work, along with their families, not only the union members who fought for them.

Pay rises negotiated by unions for their members are likely to lead to rises for other employees. The weakening of collective bargaining and unions has led to weak wage growth, with consequences for debt and economic stability. Maintaining good incomes is important not only for the wellbeing of working people and their families but for a healthy and stable economy.

There is strong evidence that unions improve **workplace health and safety** where they are present. It is not only union members who benefit from the reduced risks to their safety and health, but everyone in a workplace. Unions also campaign for better health and safety laws and enforcement that benefits all workers.

Unions also act to expose bad employment and health and safety practices, such as zero hour contracts and migrant exploitation, and advocate for legislation and enforcement to prevent it happening in future. These are examples of unions acting as a 'countervailing power' against employers abusing their power, and against powerful corporations. All working people, and New Zealand's reputation, benefit.

Union members benefit from a pay premium (see the August [Bulletin](#)), support with employment issues and the opportunity to influence policies of their employer among other advantages resulting from their collective action and voice. But do unions provide a wider benefit to society over and above what they do for their members? Economists call a situation like this, where the benefits can't be limited to individuals and can be experienced by many people at once, a 'public good'¹. Are unions a public good?

The public seems to think so. A survey carried out by Victoria University academics immediately after each General Election, the New Zealand Election Study², asks respondents for their views on two statements about unions: "trade unions are necessary to protect workers", and "trade unions in NZ have too much power". While these are not quite the same as asking whether unions are a public good, the support for unions goes well beyond their membership, suggesting a widespread view that they are a public good. After the 2017 election, 72 percent of the randomly selected registered electors surveyed agreed or strongly agreed with the statement "trade unions are necessary to protect workers", and only 12 percent disagreed. The support was up from 67 percent in 2014, and disagreement down from 16 percent. Similarly, 37 percent disagreed or strongly disagreed with the statement that "trade unions in NZ have too much power", and another 28 percent neither agreed nor disagreed, totalling 65 percent supporting the status quo or strengthening unions, up from 59 percent in 2014. Only 21 percent thought unions had too much power, down from 28 percent in 2014.

Late CTU President Helen Kelly took a similar view: that unions were, as she described it, a "public institution". That is, they play a fundamental role in society of being one of the checks and balances against unbridled power. In that sense they are similar to a free press (another non-government check on power – at least when it is performing well), or an independent judiciary.

Unions are recognised in New Zealand and international law for their important role in society. The objects of the Employment Relations Act, which is the basic legislation for most union rights and responsibilities, recognises "the inherent inequality of power in employment relationships" and to that end provides unions with countervailing powers including most importantly collective bargaining. Internationally, the Universal Declaration of Human Rights recognises that "Everyone has the right to form and to join trade unions", and indeed this is the only institution specifically mentioned in the Declaration. This is given effect by two human rights conventions, the International Covenant on Civil and Political Rights and the International Covenant on Economic Cultural and Social Rights, and by conventions of the International Labour Organisation, many of which deal specifically with the rights of unions and their members.

The function of unions as "countervailing power", which Helen focused on, is an important one which I will come back to. Here however I also go into some of the other reasons why unions can be regarded as a public good, and briefly point to some of the evidence.

¹ Technically, a 'public good' is defined as a good (something that satisfies human wants, as opposed to a 'bad' that detracts from them) that is both 'non-excludable' and 'non-rivalrous'. Non-excludable means that it is not possible to exclude individuals from its use or enjoyment. 'Non-rivalrous' means that it can be used by more than one person without reducing its availability to others. Other examples include, for practical purposes, free-to-air television, public parks and the air.

² See <http://www.nzes.org>. The above statistics are calculated from the data from the surveys, available at that web site. The percentages exclude missing values (no answer) but include "Don't knows". The survey is funded by Victoria University of Wellington, the New Zealand Electoral Commission, the University of Auckland, the University of Otago, the British Academy, and AUT University.

Inequality

Unions are a strong force to reduce inequality, particularly through collective bargaining. There is a large body of international research on this, and it is accepted by the OECD (e.g. OECD, 2018a, p. 81). For example Farber, Herbst, Kuziemko and Naidu (2018) used data from US opinion polls going back to 1936 to estimate the effect of union membership and found not only an income premium for union households but also that “unions have had a significant, equalizing effect on the income distribution over our long sample period”. Western and Rosenfeld (2011) find that “Accounting for unions’ effect on union and nonunion wages suggests that the decline of organized labor explains a fifth to a third of the growth in inequality [in the US between 1973 and 2007] —an effect comparable to the growing stratification of wages by education.” There are many other such studies.

While it might be expected that unions would reduce inequality at the lower end of the wage scale, a remarkable finding was made by International Monetary Fund researchers, Jaumotte and Buitron (2015). They found that deunionisation “is associated with the rise of income inequality in our sample of advanced economies [20 including New Zealand], notably at the top of the income distribution. Our key findings are that the decline in unionization is related to the rise of top income shares and less redistribution, while the erosion of minimum wages is correlated with considerable increases in overall inequality.” They found New Zealand experienced the strongest effect of deunionisation. Not only did deunionisation increase the share of income going to the top 10 percent but it also increased inequality *after taxes*. On average they estimated that about half of the increase of net income inequality in the countries that they analysed was due to deunionisation. Unions don’t directly affect tax rates and the strength of social security so how does this come about? The authors concluded that it is likely to be because unions influence policies that bring about redistribution of income through mechanisms such as these. In other words unions are a powerful force for social progress. Weakening unions leads to weaker social protections and increasingly unfair distribution of the income generated by the economy.

Unions reduce inequality both directly through collective bargaining and indirectly through their campaigning for progressive policies. It is now commonly recognised that reduced inequality is better for society. Wilkinson and Pickett (2010) for example have shown that less equal societies are worse for everyone – not solely those at the bottom. OECD research finds that higher inequality is bad for social cohesion and economic growth (e.g. Cingano, 2014; OECD, 2018a) and IMF research finds that it is bad for sustained growth (e.g. Berg, Ostry, & Zettelmeyer, 2008; Ostry, Berg, & Charalambos G., 2014).

There is therefore a strong economic and social benefit from the reduction in income inequality achieved by unions, a benefit that is shared by the great majority of the population.

Employment equity

A related benefit is reducing gender inequities. Unions, often with allies in society, were the instigators of the Equal Pay Act 1972 and its predecessor, the Government Service Equal Pay Act 1960. In recent times it was a union that conceived, initiated, campaigned for and supported Kristine Bartlett’s court case against unequal pay for care and support workers. The Courts found they had been discriminated against over many years because the great majority of them were women. The finding has led to many other groups of women being able to take similar cases, and current moves to ensure the ability to take such cases is embedded in the law. Unions have also successfully campaigned for other advances that benefit women including paid parental leave and the availability of free or subsidised quality child care. These benefit all

women in paid and unpaid work, along with their families, not only the union members who fought for these advances. They are also recognised as good for economic growth because they allow more women to work, bringing benefits to society as a whole.

Rising pay

While in most cases in New Zealand, pay rises negotiated by unions apply mainly to their members, there are other beneficiaries. Where a union negotiates a pay rise in a firm, the employer is likely to give similar rises to its other employees. Where collective bargaining is widespread enough, it sets the rate for an occupation or an industry so that working people even in firms without union presence see at least some of the increase. In many other countries, particularly in Europe, the collective agreement settlements are “extended” to non-union members so the benefit is even broader. Fair Pay Agreements proposed for New Zealand would have a similar role.

Increased incomes create demand for the goods and services that firms produce, encouraging them to invest and expand production and jobs.

There are increasing concerns, sometimes from unexpected quarters, that the weakening of collective bargaining and unions has led to weak wage growth, with consequences for economic stability and rising inequality. For example, low wage growth and poor investment has led some economists to suggest that the high income countries are currently in “secular stagnation” where excessive savings outstrip willingness to invest, reducing demand for products and inflation, leading to low interest rates – but not low enough to reignite investment other than for speculation (such as house price inflation). Lawrence Summers, a former US Treasury Secretary and economic advisor to President Barack Obama, has advocated “structural policies that would promote demand” which would include “measures to raise the share of total income going to those with a high propensity to consume, such as support for unions and increased minimum wages” (Summers, 2016).

Senior IMF researchers came to a similar conclusion via a different, more theoretical, route when considering the effects of huge concentrations of wealth and income inequality, leaving lower income households increasingly dependent on borrowing to make ends meet. Eventually this leads to financial or economic crisis. Policies for debt reduction (such as writing off debt) without increasing workers’ incomes do not provide a long term solution. Instead they say restoring workers’ earnings “for example, by strengthening collective bargaining rights” allows them to work their way out of debt over time and averts another crisis (Kumhof & Rancière, 2010a, 2010b).

Andrew Haldane, Chief Economist of the Bank of England, like other central banks (including the Reserve Bank of New Zealand) puzzling over low wage growth despite strong employment growth following the Global Financial Crisis (GFC) found that one of the significant causes was the long term fall in levels of unionisation and collective bargaining (Haldane, 2018). The low wage growth has been a factor in central banks setting record low interest rates which leave little room for them to take action against a downturn in the economy or another financial crisis.

The work that unions do through collective bargaining to maintain good incomes is therefore important not only for the wellbeing of working people and their families but for a healthy and stable economy.

Health and safety at work

There is strong evidence that unions improve workplace health and safety where they are present. The gold standard for good workplace health and safety legislation is the “Robens model”, named after a U.K. committee of inquiry led by Lord Robens which in 1972 recommended a set of principles that has been widely adopted. An essential aspect of it was that it relied on a tripartite structure: an effective government regulator, employers, and workers represented by unions. Deunionisation (in New Zealand, helped by greatly weakened legislation from 1992) has undermined that structure. Australian experts Johnstone and Tooma (2012, pp. 138–139) write:

The available empirical research suggests that direct participation by means of individual non-unionised employees engaging with managers appears to have little effect on work health and safety. There are very few studies on the use by individual workers of an individual right to refuse to perform dangerous work, and what research there is suggests that this right is little used in small firms, where workers inhabit ‘structures of vulnerability’.

There is much stronger evidence on the positive effects of collective worker participation on work health and safety. ... Many of the studies prove that there is a relationship between objective indicators of work health and safety performance (such as injury rates or exposure to hazards) in workplaces that have implemented structures for worker participation, such as the presence of trade unions, joint health and safety committees, or union or worker health and safety representatives.

U.K. expert David Walters and colleagues (Walters, Kirby, & Daly, 2001, p. 9) put it simply in a report to the U.K. regulator, the Health and Safety Executive. In the light of evidence “from a broad range of countries”,

They all indicate that workers activity, and union support behind it, are major factors in reducing injuries and diseases at work.

It is not only union members who benefit from the reduced risks to their health and their safety, but everyone in a workplace. In addition, unions advocate and campaign for safer workplaces generally, as exemplified by Helen Kelly’s campaign to reduce the heavy toll of death and injury in forestry, which since privatisation in the 1980s became a deunionised industry with one of the worst safety records in New Zealand.

Countervailing power: exposing bad practice, encouraging enforcement

Unions also act to expose bad employment and health and safety practices, and advocate for legislation and enforcement to prevent it happening in future. Just as with health and safety, it was unions in New Zealand which exposed ‘zero hour contracts’ exploitation of workers which media took up and forced action by Government. It was then unions which analysed the proposed legislation and negotiated for improvements. Unions are active in exposing migrant exploitation, and advocating better enforcement by labour inspectors and immigration authorities, and changes to the law and regulatory settings to protect migrant workers. The public exposure of bad practice and the force of law, when it exists, bring pressure on ruthless or wantonly careless employers who take advantage of their power. Frequently, particularly with small employers, the media adds to the outcry. Sometimes those employers are large corporations of considerable economic power, such as the Talley’s Group, which the media and some political parties are often reluctant to confront because they depend on them for advertising revenue and donations. In those cases it is often only unions which are willing to speak truth to power. In each case, it is not only

union members who benefit, but also fellow employees and working people in general when it deters bad behaviour, improves legislative protections and increases enforcement by authorities.

Other impacts

At times union members vote to go on strike, usually after months or even years of fruitless negotiations. Citizens in general have the right to protest in a variety of ways, some of which are disruptive to others, and exercising this right is often acknowledged as a sign of a healthy democracy. Similarly the right to strike is an internationally recognised right and is another essential part of the democratic process. To put strikes into perspective, the numbers are tiny: on average since 1939, only approximately one in 6,600 person-workdays (0.015 percent) have been subject to strike action per year, and one in 108,000 since 2000 (0.001 percent)¹. As a comparison, approximately one in 50 person-workdays was lost to sickness in 2018 according to an annual Southern Cross/Business NZ survey².

Assessment of the impact of unions on productivity is contested. On the one hand high-performance work practices supported by unions are known to improve productivity. As a summary of such practices puts it,

labor-management partnerships based on mutual respect for worker, union, and employer rights and responsibilities have been shown to achieve high performance by facilitating employee participation and related high-performance work practices and by creating social networks within and across organizations. In particular, the presence of a union is positively associated with a greater number and greater effectiveness of high-performance work practices. Furthermore, a combination of formal and informal mechanisms for employee voice has been found to improve the productivity effects associated with implementing high-performance work practices compared to implementing the same practices with just informal voice mechanisms or no employee voice. (Appelbaum, Gittell, & Leana, 2011)

Experience in New Zealand bears this out. On the other, unions are frequently accused of reducing productivity. In fact the evidence suggests that it depends on management practices (including attitudes to unions and employee participation), union practices, and forms of bargaining. The OECD has concluded that it depends on the type of collective bargaining (e.g. OECD, 2018b, p. 98ff, 2018a, p. 148ff). They say that “organised decentralisation” including sector-level bargaining combined with enterprise bargaining (like the proposed Fair Pay Agreements) gives the best combination of productivity, low inequality and employment. Decentralised enterprise-level collective bargaining, which dominates in New Zealand, may not damage productivity but leads to low coverage, is weakest for reducing inequality and wages fall behind productivity growth. The fact that collective bargaining is so scarce in the private sector and yet the productivity of private firms is notoriously weak suggests that other factors are much more important.

Unions are sometimes accused of having monopoly power and abusing it, yet monopoly power is rare in modern unionism, certainly in New Zealand: there is no protected right to coverage of a workplace. Unions are accused of sharing the excess profits of monopolist employers, but it is surely better that unions make such employers share their profits with the people who work for them than that the super-

¹ Source: Infoshare series INS006AA 1939-1990, Infoshare series INS003AA 1991-2010, MBIE Annual Work Stoppages available at <https://www.employment.govt.nz/starting-employment/unions-and-bargaining/work-stoppages/> 2011-2018. Calculated as person-days lost divided by 250 * number employed, assuming average 250 working days per person per year.

² *Workplace Wellness Report 2019*, available at <https://www.businessnz.org.nz/resources/surveys-and-statistics/wellness-in-the-workplace-survey/2019-Workplace-Wellness-Report.pdf>. It shows an average 4.7 days per employee absence on sick leave in 2018.

profits enrich already powerful corporations further. The fault lies with poor regulation and weak competition authorities, not with unions.

But even if there were some disadvantages, the strong 'public good' benefits and the benefits to union members themselves would more than compensate. In the concepts of economics, unions correct significant market failures at the workplace, industry and national level. The much higher levels of union membership and collective bargaining in highly productive, high living standard, less unequal northern European countries attest to that. Rather than weaken unions' abilities to do good by making the lives of unions and their members increasingly difficult, it is better to consider ways to design the system to minimise any negative effects that might exist and maximise its many strengths. Unions have a role to play in this by ensuring they do carry out their roles for both their members and society, by not misusing their powers of collective action and by respecting the public tolerance of actions that do inconvenience them. The stronger the public support, the more easily can unions defend the rights and actions that make them effective for their members and as a public good. That in turn reinforces support.

Many systems have downsides outweighed by benefits. Democracy is inefficient and prone to myopia and incompetence, but it is better than authoritarians or dictators. The media often misuses its power to change public opinion and the commercial media is dominated by the interests of advertisers rather than readers, listeners or viewers, yet it is an indispensable part of life.

Finally it is worth pointing out that a public good is often associated with 'free-riding' or 'free-loading'. Someone has to pay for the public good services that many other people benefit from, yet those other people do not contribute to the cost. Union members know that well. In the case of a public good like roads, parks or democratic government, we pay for it out of taxes or levies. There is a strong argument that unions too should expect some contribution from non-members who benefit from their efforts (see for example Jackson, 2018).

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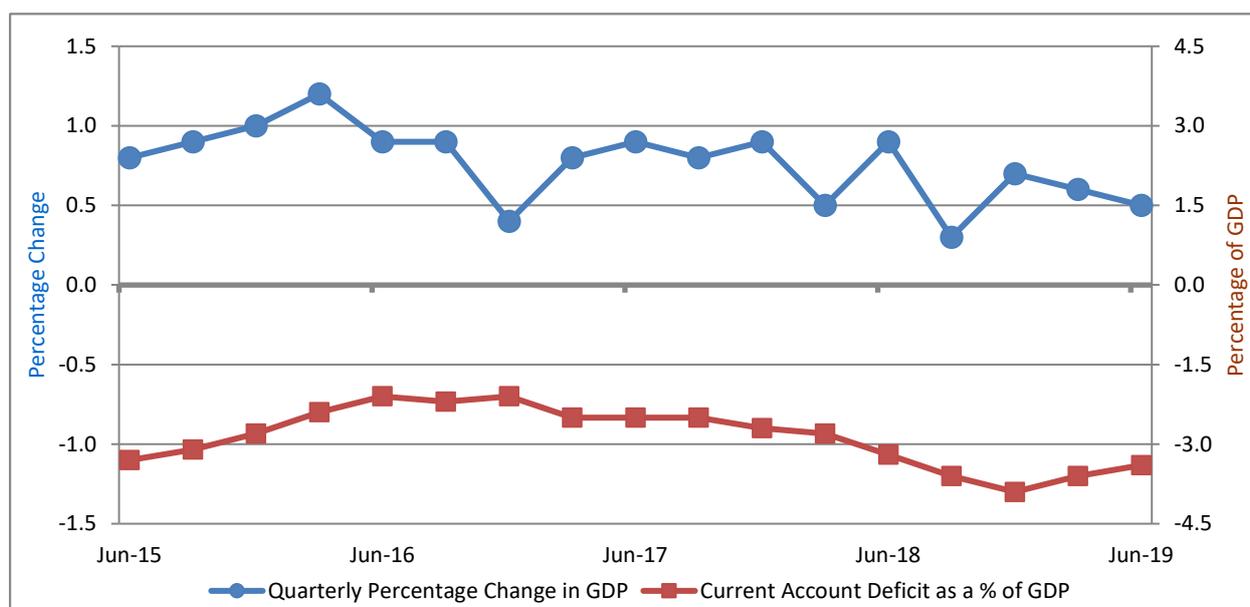
A ★ indicates information that has been updated since the last bulletin.

Forecast

★ This [NZIER consensus forecast](#) was released on 16 September 2019.

Annual Percentage Change (March Year)	2019/20	2020/21	2021/22	2022/23
GDP	2.3	2.7	2.5	2.2
CPI	1.9	1.9	1.9	2.0
Private Sector average hourly wage	3.6	3.2	3.1	3.2
Employment	1.8	1.7	1.5	1.4
Unemployment rate (% of labour force)	4.2	4.1	3.9	3.9

Economy



★ Growth in New Zealand’s measured economy in the three months to June 2019 was moderate, with [Gross Domestic Product](#) rising by 0.5 percent, down slightly from 0.6 percent in the previous quarter and 0.7 percent in the quarter before that. Average growth for the year ended June 2019 was 2.4

percent (and 2.1 percent compared to the same quarter last year). Growth in GDP per person continues to be weak with a rapidly growing population: GDP growth per person was just 0.2 percent in the June quarter, seasonally adjusted, up a little from a 0.1 percent increase in the previous quarter, but up 0.8 percent over the previous year. GDP per person has been increasing at far below the rate in the 2000s when GDP per person was increasing at an average 2.4 percent a year. Since 2011 it has averaged 1.5 percent per year. Real gross national disposable income per capita, which takes into account the income that goes to overseas investors, transfers (such as insurance claims) and the change in prices for our exports and imports, rose 0.5 percent over the quarter and rose 0.6 percent over the year.

- ★ I estimate that **labour productivity**, measured by production per hour worked in the economy, grew at the almost respectable rate of 1.3 percent in the year to June compared to the same period a year ago, the highest it has been since June 2016. It rose 1.6 percent in the quarter, seasonally adjusted.
- ★ **Business investment** fell by 0.9 percent compared to the previous quarter, with a 3.7 percent fall in investment in Non-residential buildings and a 0.6 percent fall in Land improvements, but rises in other types of investment led by Transport equipment (up 2.3 percent) and Plant, machinery and equipment (up 2.1 percent). Other construction investment and Intangible fixed assets each rose 0.1 percent. Comparing the quarter with the same quarter in the previous year, business investment rose 0.3 percent, led by a 9.8 percent rise in Non-residential buildings, a 3.9 percent rise in Intangible fixed assets and 2.4 percent in Plant, machinery and equipment, but these were offset by big falls of 10.4 percent in Other construction and 7.0 percent in Transport equipment. Investment in Residential buildings was down 0.2 percent in the quarter but up 5.2 percent compared to the same quarter in the previous year. All investment spending tends to be very variable from quarter to quarter, and can be significantly affected by a single large purchase such as an aircraft, so single quarter changes do not necessarily indicate trends.
- ★ **Household consumption** expenditure grew 0.5 percent in the June quarter in real terms, after a 0.4 percent increase the previous quarter. Purchases of durable goods (like electrical equipment and furniture) rose 0.8 percent, of non-durable goods (like food and groceries) were static, and of services rose 0.5 percent. It rose a stronger 3.0 percent over the same quarter in the previous year when growth in spending was led by a 4.1 percent increase in durable goods, a 3.1 percent increase in purchases of services, followed by a 1.8 percent increase in non-durable goods purchases.
- ★ Inflation in the economy as a whole, shown by the **GDP deflator** (a price index for expenditure on the economy's production, largely reflecting the revenue employers are getting for their products) was 1.9 percent compared to the same quarter the previous year, and was 1.2 percent in the most recent quarter.
- ★ **By industry**, the largest contributors to growth in the latest quarter were Electricity, gas, water and waste services (up 3.1 percent), Arts, recreation and other services (up 2.8 percent), Transport, postal and warehousing (up 1.8 percent), and Public administration and safety (up 1.8 percent). They were offset by falls led by Manufacturing (down 0.8 percent), Construction (down 0.8 percent), Health care and social assistance (down 0.2 percent) and Mining (down 4.4 percent). Over the year, all industries grew, ranging from 5.5 percent in Transport, postal and warehousing and 5.1 percent in Public administration and safety, to 0.7 percent in Education and 0.4 percent in Mining.

- ★ New Zealand recorded a [Current Account](#) deficit of \$2.4 billion in seasonally adjusted terms for the June 2019 quarter, following a \$2.5 billion deficit for the previous quarter. There was a deficit in goods trade (\$0.8 billion, seasonally adjusted) following a \$1.0 billion deficit in the previous quarter, with deficits in all quarters back to September 2014. There was a seasonally adjusted surplus of \$247 million in goods and services (up from the \$2 million surplus in the previous quarter) including a \$1.0 billion surplus in services, while the deficit on primary income (mainly payments to overseas investors) was virtually unchanged at \$2.4 billion (seasonal adjustment not available). For the year to June 2019, the current account deficit was \$10.2 billion or 3.4 percent of GDP, down from a \$10.8 billion deficit in the year to March (3.6 percent of GDP). The deficit on investment income was \$9.9 billion for the year.

- ★ The country's [Net International Liabilities](#) were \$165.9 billion at the end of June 2019, up from \$163.9 billion at the end of the previous quarter and significantly up from \$154.6 billion a year before. The June liabilities were equivalent to 55.3 percent of GDP, up slightly from the previous quarter (55.2 percent) and up from 53.4 percent a year before. Gross international liabilities were equivalent to 148.9 percent of GDP, compared to 147.6 percent in the previous quarter and 147.6 percent a year before. Net international liabilities would take 1.95 years of goods and services exports to pay off, up from 1.92 years a year before. However, gross liabilities at \$433.6 billion would take 5.26 years of goods and services exports to pay off, down from 5.29 years a year before. The rise in net liabilities over the quarter was mainly due to rises in the valuation of liabilities, including derivatives, outstripping rises in the valuation of assets. The actual net financial flow was close to zero (-\$2 million) so without the valuation changes, the net liabilities would have been \$163.9 billion. New Zealand's international debt was \$304.7 billion (other than shares; equivalent to 101.6 percent of GDP), of which 31.2 percent is due within 12 months, compared to \$152.2 billion in financial assets (50.7 percent of GDP), leaving a net debt of \$152.5 billion (50.8 percent of GDP). Of the net debt, the government including the Reserve Bank had a positive balance of \$1.3 billion while \$122.1 billion was owed by the banks (40.7 percent of GDP), which owed \$172.2 billion gross.

- ★ In [international trade in services](#), exports amounted to \$25.4 billion in the year to June 2019, of which over half (\$15.8 billion) was Travel and another \$3.4 billion was Transportation. Services imports were valued at \$21.1 billion, leaving a surplus on services of \$4.2 billion for the year. The largest areas of imported services were \$5.0 billion in Transportation, \$6.7 billion in Travel, \$1.7 billion in Insurance and pension services, \$0.5 billion in Financial Services, \$1.3 billion in Charges for the use of intellectual property (such as franchises, trademark licensing and royalties), \$1.3 billion in Telecommunication, computer, and information services (mainly computer services), and \$3.8 billion in a variety of Other business services.

- ★ [Overseas Merchandise Trade](#) for the month of September 2019 saw exports of goods rise in value by 5.1 percent from the same month last year while imports fell 2.1. This contributed to a trade deficit for the month of \$1.2 billion or 27.8 percent of exports. There was a trade deficit for the year of \$5.2 billion or 8.8 percent of exports. In seasonally adjusted terms, exports rose 4.1 percent or \$202 million over the month (after a 7.4 percent rise the previous month), led by rises in Dairy (up 20.4 percent or \$236 million), Meat (up 21.5 percent or \$142 million), Crude oil (up 78.6 percent or \$54 million, not seasonally adjusted), Wine (up 15.2 percent or \$21 million), Logs, wood and wood articles (up 4.1 percent or \$16 million), and Electrical machinery and equipment (up 13.2 percent or \$11 million), offset by falls led by Seafood (down 11.3 percent or \$19 million) and Fruit (down 5.4

percent or \$17 million). Seasonally adjusted imports fell 0.5 percent or \$28 million on the previous month, leaving a trade deficit of \$310 million following a \$540 million deficit in the previous month. The fall in imports was led by Petroleum (down 26.6 percent or \$178 million, not seasonally adjusted), and Plastic and plastic articles (down 1.2 percent or \$2 million), offset by rises led by Mechanical machinery and equipment (up 2.5 percent or \$20 million, not seasonally adjusted), Electrical Machinery and Equipment (up 3.4 percent or \$15 million), Textiles (up 5.0 percent or \$12 million), and Optical, Medical and Measuring Equipment (up 7.3 percent or \$12 million). In the year to September, 26.9 percent of New Zealand’s exports went to China, 15.0 percent to Australia, 9.5 percent to the US, and 62.8 percent went to the top six countries buying New Zealand exports. This compares with 23.3 percent going to China in the previous year, and 60.3 percent going to the top six destinations. Over the same period, 20.2 percent of New Zealand’s imports came from China (compared to 19.1 percent in the previous year), 11.6 percent from Australia, 9.7 percent from the US, and 58.4 percent from the top six countries selling to New Zealand, compared to 57.6 percent a year before. There were trade surpluses with China (\$2.9 billion) and Australia (\$1.4 billion) but deficits with most other major trading partners.

- The [Retail Trade Survey](#) for the three months to June 2019 showed retail sales rose 2.9 percent by volume and 3.4 percent by value compared with the same quarter a year ago. They rose 0.2 percent by volume and 0.7 percent by value in the quarter, seasonally adjusted. The fastest rises by seasonally adjusted value over the quarter were in Recreational Goods (up 6.3 percent), Pharmaceutical and other store-based retailing (up 3.3 percent), Electrical and electronic goods (up 2.9 percent), and Fuel (up 2.4 percent), offset by decreases led by Specialised food (down 2.5 percent), Non-store and commission-based retailing (which includes online sales, down 0.8 percent), and Department stores (down 0.6 percent). By far the largest category, Supermarket and grocery stores, fell 0.5 percent.

- ★ The [Performance of Manufacturing Index](#) for September 2019 was 48.4, the same as in the previous month. The employment sub-index was at 50.0, little changed from 49.9 in the previous month.

- ★ The [Performance of Services Index](#) for September 2019 was 54.4, down a little from 54.6 the previous month. The employment sub-index was 52.7, down from 53.4 the previous month.

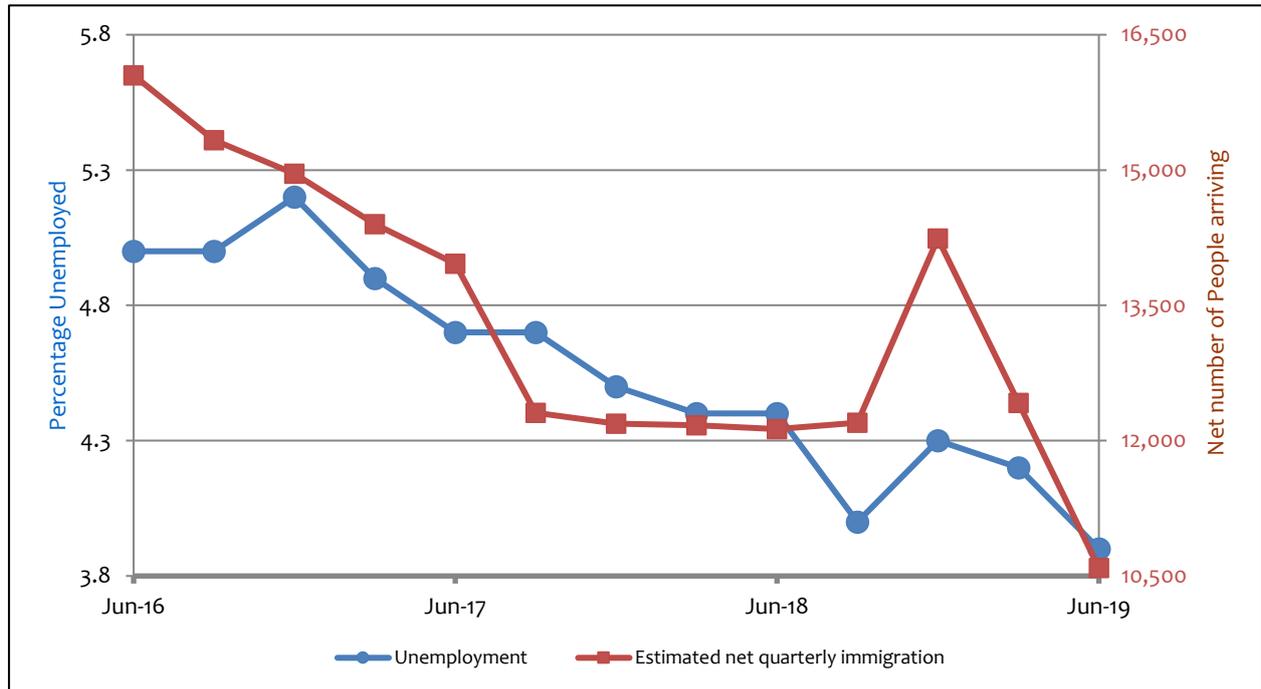
For these indexes, a figure under 50 indicates falling activity, above 50 indicates growing activity. Previous figures are often revised and may differ from those in a previous Bulletin.

- ★ On 25 September, the Reserve Bank left the [Official Cash Rate \(OCR\)](#) at 1.0 percent having reduced it from 1.5 percent in August. The 25 September statement reported that the Monetary Policy Committee considered “developments since the August Statement had not significantly changed the outlook for monetary policy. They reached a consensus to keep the OCR at 1.0 percent and that, if necessary, there remains scope for more fiscal and monetary stimulus.” This is another signal to the Government that it needs to stimulate demand in the economy. The “room for more monetary stimulus” must be narrow, especially if there is a significant downturn. They “anticipated a positive impulse to economic activity over the coming year from monetary and fiscal stimulus. The members noted that there remains scope for more fiscal and monetary stimulus if necessary, to support the economy and our inflation and employment objectives... while GDP growth had slowed over the first half of 2019, impetus to domestic demand is expected to increase. Household spending and construction activity are supported by low interest rates, while business investment should lift in response to demand pressures.” They expect some increase in wages: “Rising capacity pressures and

increasing import costs, higher wages, and pressure on margins are expected to lift inflation gradually to 2 percent.” They are of the view that “employment remains close to its maximum sustainable level”, despite there being room for unemployment to fall further from its current 3.9 percent. The official release stated that “Global trade and other political tensions remain elevated and continue to subdue the global growth outlook, dampening demand for New Zealand’s goods and services. Business confidence remains low in New Zealand, partly reflecting policy uncertainty and low profitability in some sectors, and is impacting investment decisions. Global long-term interest rates remain near historically low levels, consistent with low expected inflation and growth rates into the future. Consequently, New Zealand interest rates can be expected to be low for longer.” There appeared to be no concern that the low interest rates would lead to a further escalation in house prices.

★ According to [REINZ](#), over the year to September the national median house price rose \$37,000 or 6.6 percent to \$597,000 and REINZ’s house price index rose 3.6 percent. (The house price index adjusts for the type of house, such as its size and land area, and seasonal price patterns.) Over the month, the median price rose 1.9 percent seasonally adjusted while the house price index rose 1.4 percent. In Auckland over the year the median price up just \$2,000 or 0.2 percent to \$848,000 while the house price index fell 0.8 percent. Over the month, Auckland’s median price was up 4.0 percent seasonally adjusted, and the house price index rose 1.6 percent. Excluding Auckland, over the year the national median price rose \$32,000 to \$500,000 or 6.8 percent while the house price index rose 7.6 percent. Over the month the median price excluding Auckland was down 0.3 percent seasonally adjusted, and the house price index was up 1.3 percent. There were record median prices in Waikato (up 5.6 percent over the year to \$550,000), Taranaki (up 15.9 percent to \$400,000), Manawatu/Whanganui (up 24.1 percent to \$397,000), Hawke’s Bay (up 13.4 percent to \$500,000) and Southland (up 22.1 percent over the year to \$315,000). Median prices rose over the year in 13 of REINZ’s 16 regions, with the fastest rise being in Manawatu/Whanganui (up 24.1 percent) followed by Southland (up 22.1 percent). Median prices fell in Northland (down 5.5 percent), Nelson (down 5.4 percent), and West Coast (down 7.5 percent). Seasonally adjusted median prices fell over the month in 9 of the 16 regions, with the steepest fall in the West Coast (down 13.8 percent) and steepest rise in Marlborough (up 7.0 percent). Sales fell in 9 of the 16 regions over the month, seasonally adjusted, while over the year, sales fell in 7 of the regions, with a national rise of 3.3 percent and changes ranging from a rise of 45.8 percent in Tasman to a fall of 27.0 percent in Southland.

Employment



- According to the [Household Labour Force Survey \(HLFS\)](#) the seasonally adjusted **unemployment** rate in the June 2019 quarter fell to 3.9 percent or 109,000 people, compared to 4.2 percent three months before (115,000 people). If it were the 3.3 percent it was in December 2007, 17,000 more people would have jobs. The seasonally adjusted female unemployment rate fell to 4.2 percent from 4.4 percent three months before, higher than for men (3.6 percent) whose unemployment rate fell from 3.9 percent. Māori unemployment fell from 9.4 percent a year before to 7.7 percent in June, while Pacific people’s unemployment fell from 8.8 percent to 8.4 percent over the year. Compared to OECD unemployment rates, New Zealand improved to 13th lowest from 14th equal lowest (out of 35 countries). New Zealand’s employment rate for 15-64 year olds improved from 6th highest to 5th equal highest for the OECD at 77.6 percent.
- The unemployed were not the only people looking for work: **“underutilisation”** includes the officially unemployed as above, people looking for work who are not immediately available or have not looked for work sufficiently actively to be classed as officially unemployed, plus people in part time work who want more hours (‘underemployed’). In the June 2019 quarter there were a total of 317,000 people looking for work classed as ‘underutilised’, or 11.0 percent of the labour force extended to include these people, in seasonally adjusted terms. Of them, 110,000 were underemployed, 109,000 were officially unemployed, and 98,000 were additional jobless people looking for work. The 11.0 percent underutilisation rate is down on the previous quarter (11.3 percent) and down from 12.0 percent a year before. It is higher for women at 13.0 percent than for men at 9.1 percent.
- Youth unemployment** for 15-19 year olds was 17.6 percent in June 2019, down from 19.9 percent three months before, and from 19.7 percent a year before. (These and the other statistics for the whole youth population are seasonally adjusted, but those for Māori and for Pacific Peoples are not; small differences may not be statistically significant.) For Māori 15-19 year olds in June 2019, the unemployment rate was 21.2 percent, down from 29.0 percent a year before. For 15-19 year old

Pacific Peoples it was 27.2 percent, up from 12.6 percent a year before. For 20-24 year olds, youth unemployment was 6.7 percent, down from 7.9 percent three months before, and down from 7.7 percent a year before. For Māori 20-24 year olds the unemployment rate was 11.4 percent, up from 8.3 percent a year before. For 20-24 year old Pacific Peoples it was 12.5 percent, down from 12.9 percent a year before. The proportion of 15-19 year olds “not in employment, education, or training” (the NEET rate) was 8.1 percent, down from 10.0 percent three months before and up from 7.4 percent a year before. For Māori 15-19 year olds the rate was 12.6 percent, up from 10.6 percent a year before and for Pacific Peoples it was 10.9 percent, up from 6.5 percent a year before. For 20-24 year olds the NEET rate was 12.2 percent, down from 15.8 percent three months before and down from 14.2 percent a year before. For Māori 20-24 year olds the NEET rate was 20.6 percent, little changed from 20.9 percent a year before, and for Pacific Peoples it was 21.5 percent, down from 22.6 percent a year before. For the whole 15-24 year old group, unemployment was higher for those in education (13.2 percent) than those not in education (9.0 percent). There were 69,000 people aged 15-24 years who were not in employment, education, or training (NEET), seasonally adjusted, down from 87,000 three months before, and down from 74,000 a year before.

- By **region**, in June 2019, in the North Island, Taranaki had the worst regional unemployment rate at 5.2 percent, down from 5.3 percent a year before, and Northland was close behind at 5.1 percent unemployment, up from 4.7 percent a year before. All other North Island regions had unemployment rates at or under 4.8 percent, with Wellington and Waikato equal best at 3.4 percent (down from 4.7 percent and 4.2 percent respectively a year before) and all but Gisborne/ Hawke’s Bay (at 4.8 percent, up from 4.3 percent) doing at least as well as a year before though Auckland was unchanged at 4.2 percent. All South Island regions had unemployment at or below 3.5 percent with average unemployment among the South Island regions being 3.3 percent compared to 4.0 percent in the North Island. In Tasman/Nelson/Marlborough/West Coast unemployment was 3.3 percent, down from 4.7 percent a year before, in Canterbury it was 3.5 percent, down from 4.0 percent a year before, in Otago it was 3.0 percent, down from 3.4 percent a year before, and in Southland 3.0 percent, unchanged from a year before.
- There were 33,600 unemployed people in June 2019 who had been **out of work for more than 6 months** compared to 37,200 a year before. This is 31.4 percent of the unemployed compared to 30.9 percent a year before, but is still at a much higher level than the mid-2000s. Those out of work for more than a year are 13.5 percent of the unemployed compared to 12.5 percent a year before. After rising until mid-2017, the proportion of long-term unemployed appears to have peaked and is trending downward.
- The number recorded as **employed** rose by 2,000 over the three months to June 2019 (seasonally adjusted). It rose by 45,000 over the year. The employment rate (the proportion of the working age population – those aged 15 and over – in paid work) rose to 67.7 percent over the three months from 67.5 percent. It was 63.1 percent for women and 72.4 percent for men. The participation rate (the proportion of the working age population either in jobs or officially unemployed) was steady at 70.4 percent compared to three months before, though down from 71.0 percent a year ago.

- **By industry**, the actual increase in employment of 3,000 in the three months to the June 2019 quarter (not seasonally adjusted) was made up of both gains and losses. Remarkably, the largest gain was 10,100 in the largest employer of minimum wage workers, Retail Trade and Accommodation (see box below). Education and Training rose by 9,300, Transport, Postal Warehousing by 5,000, and Arts, Recreation and Other Services by 3,000 (also significant minimum wage employers). They were offset by falls in employment led by 6,700 in Manufacturing and 5,500 in Health Care and Social Assistance. Over the year, the increase of 44,100 (not seasonally adjusted) was again led by an increase of 24,000 in Retail Trade and Accommodation, followed by 17,400 in Professional, scientific, technical, administrative, and support services, 12,200 in Arts, Recreation and Other Services, 10,700 in Transport, postal and warehousing, 7,300 in Rental Hiring and Real Estate Services, and 5,800 in Financial and insurance services. The largest losses were 23,300 in Manufacturing, 9,000 in Education and Training, 8,500 in Health Care and Social Assistance and 7,500 in Information Media and Telecommunications.
- In the June 2019 quarter, total **union membership** was estimated at 407,900, a 0.8 percent rise from

The Minimum Wage rise and employment

The minimum wage rose sharply from \$16.50 to \$17.70 from 1 April 2019, the beginning of the June quarter. In real terms, this 5.5 percent increase was the largest since 2007 when it rose 7.6 percent. There is always interest in the employment effects of a significant minimum wage rise. What impact did it have? It is hard to tell because other things happening at the same time also affect employment – such as the current slowing growth in retail and tourism – and while some immediate effect can be expected, it may take some time for the full effects of the rise to work through. But the immediate effect this time is remarkable.

In short: the two industries with the most minimum wage workers *expanded* employment after the largest increase in the minimum wage in several years.

The Household Labour Force Survey estimates employment levels. By industry, the increase in employment of 3,000 in the three months to June 2019 (not seasonally adjusted) was made up of both gains and losses. Easily the largest gain was 10,100 in Retail Trade and Accommodation which is notable because these industries often reduce employment in the June quarter, near the seasonal low point, and they are the industries which have by far the largest proportion of minimum wage employees. Last year, they had over half of all minimum wage workers [according to MBIE](#).

The Quarterly Employment Survey shows a somewhat different picture, though bear in mind it does not cover the smallest firms which are common in these sectors. Also, it counts jobs rather than employment (people can have multiple jobs in multiple industries). It shows a fall in jobs both in Retail and in Accommodation and Food Services over the June quarter, but a rise over the year to June in Accommodation and Food Services. Given the seasonal effect and longer term downward pressures on Retail, this again suggests no negative employment impact of the minimum wage rise.

404,500 in the previous quarter and down 1.4 percent from 413,700 a year before. The membership is 18.7 percent of employees compared to 18.7 percent three months before and 19.3 percent a year before. Women make up 59.7 percent of the membership compared to being 50.0 percent of all employees. As a result, the proportion of female employees who are in unions is higher than for males: 22.4 percent compared to 15.1 percent. The membership of women workers was up 1.1 percent over the year, compared to a decrease for men of 4.9 percent. The membership changes were not evenly spread across age groups: the membership of 15-24 year olds fell 5.7 percent in the year despite rising 11.2 percent in the quarter, 25-34 year olds rose 9.9 percent in the year and rose 1.8 percent in the quarter, 35-44 year olds fell 0.7 percent in the year and fell 4.6 percent in the

quarter, 45-54 year olds fell 9.8 percent in the year but rose 1.0 percent in the quarter (the first rise in this group since December 2017), 55-64 year olds fell 3.3 percent in the year but rose 1.5 percent in the quarter, and 65+ year olds rose 7.3 percent in the year and 10.0 percent in the quarter. All but the 45-54 age groups have increased their membership numbers since June 2016, though some not as fast as the number of employees of the same age, but standouts at one extreme were the 25-34 age group which increased from 66,000 workers to 88,000 since June 2016 (34 percent), and at the other, 45-54 year olds whose membership numbers declined from 105,000 to 93,000. However all age groups except 45-54 year olds have increased their union density since June 2017 when overall density reached its lowest. By industry, largest union membership growth over the year was in Public Administration and Safety, which increased 10,000 or 19 percent, followed by Retail Trade which rose 2,700 or 15 percent. The largest falls over the year were in Education and Training which fell 8,600 or 8.8 percent, Manufacturing which fell by 7,300 or 15.9 percent (though it did not move in the last quarter), Construction which fell 3,300, and Health Care and Social Assistance which fell 2,800 or 2.6 percent. There was a mixture of rises and falls in other industries, but they are unlikely to be statistically meaningful. There may be seasonal variations in union membership which are not yet apparent, so quarterly comparisons may not represent annual trends.

- In the June 2019 quarter, total **collective employment agreement** coverage was estimated at 401,700 employees, which makes 18.4 percent of employees who said their employment agreement was a collective compared to 18.7 percent three months before and 19.2 percent (413,000) a year before. An estimated 71.0 percent (1,547,600) said they were on an individual agreement compared to 69.5 percent three months before and 68.8 percent a year before, and 5.2 percent or 114,000 said they had no agreement (which is illegal), compared to 5.2 percent three months before and 5.7 percent a year before. A further 5.2 percent of employees didn't know what kind of employment agreement they had. Over the year, the decrease in membership came from the 15-24 year old, 45-54 year old and 55-64 year old age groups (down 10.1 percent, 9.4 percent and 7.9 percent respectively) while all other age groups rose, though the 35-44 year old age group also fell during the quarter. Membership of those aged 15-24 fell 10.1 percent in the year and 3.8 percent in the quarter, 25-34 year olds rose 9.0 percent in the year and 0.5 percent in the quarter, 35-44 year olds rose 1.5 percent in the year but fell 4.0 percent in the quarter, 45-54 year olds fell 9.4 percent in the year and 1.5 percent in the quarter, 55-64 year olds fell 7.9 percent in the year and 0.8 percent in the quarter, and members aged 65+ rose 7.9 percent in the year and rose 7.1 percent in the quarter. Density fell for all but the 25-34 year old age group over the year, but rose for all but the 35-45 year old and 65+ age groups since the low in September 2017. By industry, collective membership grew by 4,100 or 7.8 percent in Public Administration and Safety, and 2,700 or 10.7 percent in Retail Trade. Manufacturing fell 8,000 or 16.9 percent, Health Care and Social Assistance fell 3,400 or 3.7 percent, Education and Training fell 2,800 or 3.4 percent and there were roughly balanced rises and falls in other industries (again with doubts how statistically meaningful the figures are).
- By **employment relationship**, in the June 2019 quarter, 91.2 percent of employees (1,987,700) reported they were permanent, 4.6 percent casual (99,500), 2.4 percent fixed term (51,600), 0.8 percent seasonal (17,600), and 0.4 percent employed through a "temporary agency" (9,700). The proportion reporting they were permanent was up from 91.0 percent (1,973,400) three months before and from 90.9 percent (1,952,900) a year before. Women were slightly less likely to be permanent employees: 90.0 percent of women were permanent compared to 92.5 percent of men. Instead, women were more likely to be casual (5.4 percent of them compared to 3.7 percent of men) or fixed term (2.9 percent of women compared to 1.9 percent of men). However more men were in

seasonal work than women – 1.0 percent of men compared to 0.7 percent of women. Of the temp agency employees, 4,600 were men and 5,200 women. Employment relationships may have seasonal variations, so we should be cautious about seeing trends in quarterly comparisons. In addition, small differences may not be statistically significant. However, over the three years this data has been available the number and proportion of fixed term employees measured by this survey has fallen, starting in June 2016 with 63,600 and in June 2019 down to 51,600. The number of Temporary Agency employees has increased in the same period from 6,600 to 9,700, but this has been a bumpy road so it is too early to say there is a trend.

- By **duration of employment (job tenure)**, in the June 2019 quarter, 23.9 percent of those in the labour force (including the self-employed) had been in their jobs for less than a year. Another 34.0 percent had been in their job for at least a year but less than five years, so a majority had been in their jobs less than five years. A further 16.6 percent had been in their job for at least five but less than ten years, and 24.6 percent had been in their jobs for 10 years or more. Women appeared to be somewhat more likely to have been in their jobs for a shorter time than men. For example, 26.3 percent of men had been in their jobs for more than 10 years, but only 22.7 percent of women. Age is a significant factor as would be expected: 54.7 percent of people aged 15 to 24 had been in their jobs for less than a year, and 31.3 percent of 25-34 year olds, but only 14.4 percent of 45-54 year olds and 9.2 percent of 55-64 year olds. Small differences may not be statistically significant.

- ★ In [International Migration](#), there were a provisionally estimated 12,080 permanent and long-term arrivals to New Zealand in August 2019 and 8,550 departures in seasonally adjusted terms, a net gain of 3,530 which was a sharp fall from the 4,640 estimated for the previous month. There was a seasonally adjusted net loss of 1,900 New Zealand citizens, compared to a loss of 1,160 the previous month, and a net gain of 5,430 other citizens, compared to 5,800 the month before. There was an estimated actual net gain of 53,810 migrants in the year to September, up from 49,197 in the year to September 2018. During the month, 8.6 percent of the arrivals had residence visas, 17.4 percent student visas, 25.6 percent work visas, and 19.4 percent visitors. A further 28.3 percent were New Zealand or Australian citizens.

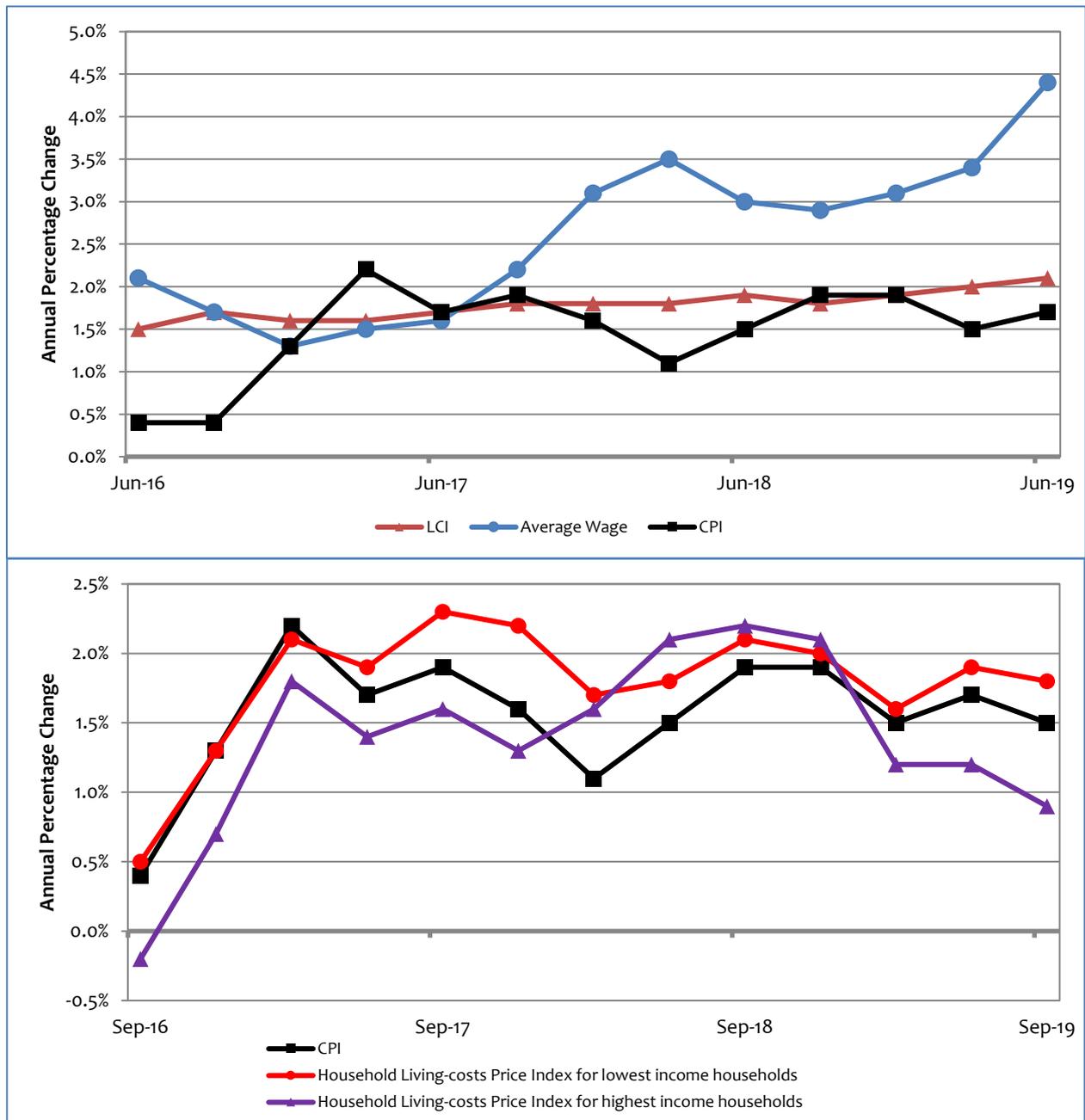
In November 2018, there was a significant change in how migration has been estimated by Statistics New Zealand. It changed from being based on intentions shown on arrival and departure cards to being based on whether they stay in New Zealand (or abroad, respectively) for at least 12 of the next 16 months. Recent data is therefore provisional for 17 months.

- ★ The [Ministry of Social Development](#) reports that at the end of September 2019 there were 142,931 working age people on the Jobseeker benefit, 13,288 more than a year before and 6,698 more than three months before. At that time, 80,602 were classified as 'Work Ready', and 62,329 were classified as 'Health Condition or Disability'. A total of 299,472 were on 'main' benefits, 15,157 more than a year before, with numbers of all other than those on Jobseeker Support relatively stable: Sole Parent Support benefits were up 1,095, Supported Living Payments were up 650 and Other Main Benefits were up 124. There were 7,503 more on main benefits than three months earlier. Of the 38,878 benefits cancelled during the three months to September, 17,313 or 44.5 percent of the people obtained work, 15.0 percent transferred to another benefit and 5.7 percent became full time students. A further 2,356 (6.1 percent) left on their 52 week reapplication or annual review and 2.6 percent were cancelled for failed obligations. Under the previous Government, from September 2014 to September 2017, an average of 42.2 percent left a benefit for work. Under the current Government, from December 2017, 43.7 percent left a benefit for work. A total of 10,470 suffered sanctions (up 10.2 percent on a year before), the majority (9,464 or 90 percent) on a Jobseeker

benefit; under the previous Government up 25 percent were on a Sole Parent Support benefit. Of the people sanctioned, 44.3 percent were Māori, though only 36.9 percent of working-age benefit recipients were Māori.

★ [Job Vacancies Online](#) for the three months to September 2019 showed the seasonally adjusted number of job vacancies rose by 2.5 percent in the quarter and fell 0.9 percent over the same quarter a year previously. All the following are seasonally adjusted, though it should be borne in mind that many jobs are still filled by word of mouth, social networks, overseas and through recruitment agencies rather than the online job advertisements surveyed for these statistics. Over the quarter, highly skilled vacancies rose 0.8 percent while semi-skilled vacancies rose 2.6 percent and unskilled vacancies rose 6.0 percent, while over the year, highly skilled vacancies rose 0.6 percent while semi-skilled vacancies fell 2.3 percent and unskilled vacancies rose 4.1 percent. Over the quarter, vacancies in Auckland were up 1.1 percent, Bay of Plenty up 0.2 percent, Canterbury up 3.9 percent, Gisborne/Hawke's Bay up 0.1 percent, Marlborough/Nelson-Tasman/West Coast up 8.1 percent, Manawatu-Whanganui/Taranaki down 1.4 percent, Northland down 2.4 percent, Otago/Southland up 4.8 percent, Waikato up 4.3 percent, and Wellington up 1.6 percent. By industry for the quarter, vacancies rose fastest in Education (up 5.3 percent), Construction (up 3.8 percent), and Sales (up 3.1 percent) and fell in Health (down 1.3 percent) and Manufacturing (down 0.6 percent). Over the year IT rose by 4.7 percent, and "Other" rose 14.1 percent, while all others fell lead by Manufacturing (down 6.6 percent) and Primary industries (down 3.2 percent). By occupation, rises in the quarter were led by Labourers (up 7.2 percent), Technical and Trades (up 4.2 percent) and Clerical and Administration (up 2.9 percent). Machinery Drivers fell 1.1 percent and Community and Personal Services fell 0.7 percent.

Wages and prices



- The [Labour Cost Index](#) (LCI) for salary and ordinary time wage rates rose 0.7 percent in the three months to June 2019 and increased 2.1 percent in the year. The annual increase was higher than the 1.7 percent increase in the CPI. The LCI increased 0.4 percent in the public sector and 0.8 percent in the private sector in the three months. Over the year it rose 2.2 percent in the public sector and 2.2 percent in the private sector. Statistics New Zealand notes the increase in the minimum wage from the start of the quarter (1 April 2019 – see Employment above for further discussion), and that “Over the year, several collective agreements came into force, such as the nurses’ collective agreement (ratified in August last year).” The 0.7 percent quarterly increase was the highest since December 2008, and would have been only 0.5 percent if the minimum wage had not risen as it did. Statistics New Zealand comments that “Minimum wage increases have a larger impact on private sector industries”. By industry, those with the largest proportion of minimum wage employees led the rises: Retail Trade rose 1.4 percent in the quarter, and Accommodation and Food Services rose 2.2 percent

(2.3 percent in the private sector). During the year, 41 percent of jobs surveyed did not receive a pay rise, and 43 percent of private sector jobs got no rise. For the 58 percent of those jobs surveyed which received an increase in their salary or wage rate during the year, the median increase was 3.0 percent and the average increase was 4.1 percent. For those jobs in the public sector that received increases during the year, the median increase was 2.5 percent and in the private sector 3.0 percent; the average increase in the public sector was 3.4 percent and in the private sector 4.3 percent. We estimate that over the year, jobs on collective employment agreements were 1.9 times as likely to get a pay rise as those which were not, and were more likely to get a pay rise of any size ranging from less than 2 percent to over 5 percent. Only 53 percent of jobs that were not on a collective got a pay rise during the year whereas the Centre for Labour, Employment and Work reports that 99 percent of those on a collective stating pay rates got a pay rise in the year to June 2019.

- The [Quarterly Employment Survey](#) for the three months to June 2019 found the average hourly wage for ordinary-time work was \$32.37, up 1.2 percent on the previous quarter and up 4.4 percent over the year, significantly more than the 1.7 percent rise in the CPI for the year. Female workers (at \$30.35) earned 11.0 percent less than male workers (at \$34.10) for ordinary time hourly earnings. This pay deficit is lower than it was in June 2018 when it was 11.4 percent. The average ordinary-time wage was \$30.34 in the private sector, up 1.1 percent in the quarter and 4.7 percent in the year. In the public sector the average ordinary-time wage was \$40.39 which was up 0.1 percent in the quarter (for some reason public sector wages often rise very slowly in June quarters) and up 3.5 percent in the year. Average total hourly wages (including overtime) ranged from \$21.57 in Accommodation and food services and \$22.87 in Retail trade, to \$46.73 in Finance and insurance services, and \$41.56 in Electricity, gas, water and waste services. The largest increase was in Accommodation and food services: up 4.2 percent in the quarter and 7.5 percent over the year, reflecting the increase in the minimum wage in the quarter. In Accommodation and food services, 56.0 percent of employee jobs were part time, and in Health care and social assistance 42.2 percent were part time; in Retail trade 39.6 percent were part time; 35.0 percent were part time in Arts, recreation and other services; and 33.3 percent in Education and training. Together these five industries made up 41.2 percent of all part time work. In all 26.6 percent were part time. (However the QES does not include agriculture or fishing and excludes very small businesses.)
- The annual survey of incomes carried out with the Household Labour Force Survey, called “Labour market statistics (income)” (no, it doesn’t do anything for me either) was released in August. It is used to provide the official **gender pay gap**: how much the median (midpoint) hourly wage for women is behind that for men. It shows the imbalance has remained static since 2017: it was 9.3 percent in June 2019, 9.2 percent in June 2018, and 9.4 percent in June 2017 despite the Care and Support Workers and other significant pay equity settlements, and a strong rise in the minimum wage in April 2019. That is probably because most of these have benefitted women below their median wage. For example the Care and Support Workers pay moved up to a range from \$19.00 to \$23.50 per hour on 1 July 2017, and the median for that year (i.e. at June 2018) was higher at \$23.75. They moved up to a \$19.80 to \$24.50 range from 1 July 2018, again at or below the median of \$24.50. This is why our preferred measure of the pay gap uses the average wage instead of the median. It is affected by these lower wage movements, and by movements in high wages, where some of the biggest imbalances occur. It fell from 13.9 percent to 11.9 percent, a significant move, though it too bounces around a lot. It was 13.1 percent in June 2017. Using the average wage to measure the imbalance, there is very little pay gap for young people – 0.5 percent for 15-19 year olds and 0.0 percent for 20-24 year olds – probably due to the effect of the minimum wage. The

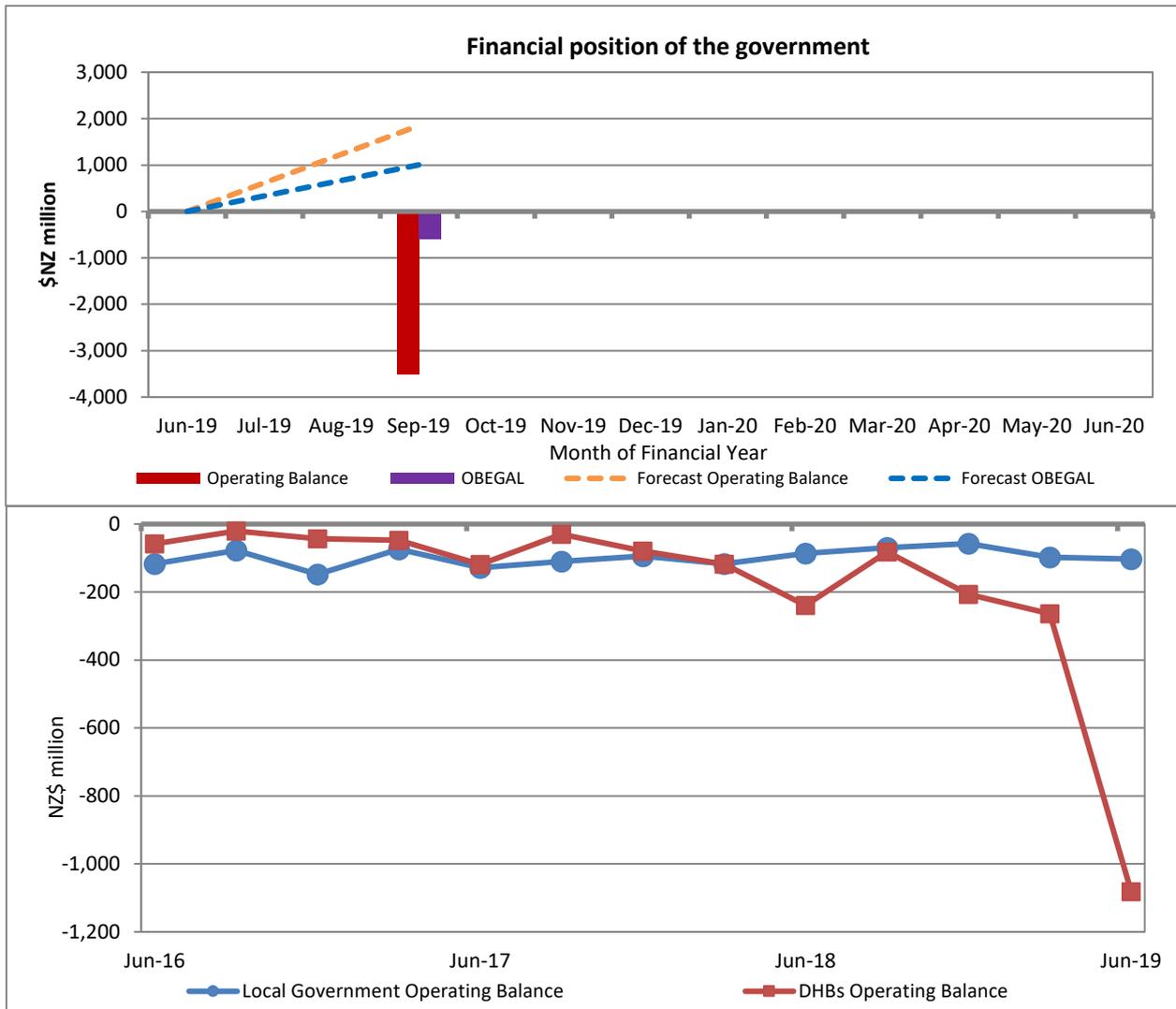
imbalance rises with age, peaking at 22.9 percent for 55-59 year olds. This is consistent with some of the largest gaps being in higher incomes, given that incomes rise with age. The pay gap fell for people of European ethnicity, Māori, Pacific Peoples and Asian, though it was higher than average (at 13.5 percent) for Europeans. It fell particularly strongly for Pacific Peoples – from 11.6 percent to 6.2 percent – though it is a relatively small group so is very variable. It was 5.8 percent for Māori. Strangely, the largest pay gap by occupation is for Community and Personal Service Workers at 20.6 percent which includes Care and Support Workers. It is higher than 2018 (18.8 percent) but lower than any other year back to 2009 (the earliest available). The occupation is 70 percent female, and perhaps what we are seeing is that male occupations within it are more highly paid – it includes defence force, fire fighters, police, prison and security officers for example. In other occupations, Professionals and Sales workers also have large gaps. By industry, the biggest imbalance is in Financial and Insurance Services (22.9 percent, but falling), followed by Rental, Hiring and Real Estate Services (21.1 percent). Education and Training (at 18.0 percent its highest since 2009, with 73.2 percent women), and Health (18.4 percent, the lowest since 2009, with 84.9 percent women) are also high. Public Administration and Safety (which includes core public services) is relatively low at 8.9 percent, its fourth lowest in the 11 years since 2009.

★ The [Consumer Price Index](#) (CPI) rose 0.7 percent in the September 2019 quarter compared with the June quarter. It rose 0.5 percent in seasonally adjusted terms. It increased 1.5 percent in the year to September, down from 1.7 percent in the year to June. For the quarter, the largest single upward influence was Housing and household utilities which rose 1.2 percent and contributed almost half of the rise (43.4 percent), over half of which came from a 4.9 percent rise in Local authority rates and payments, followed by a 1.0 percent rise in Property maintenance and a 0.8 percent rise in rents (which ranged from 0.3 percent in Canterbury and 0.4 percent in Auckland to 0.9 percent in Wellington). Next came Food which rose 1.3 percent, contributing 36.4 percent of the overall rise. Clothing and footwear fell 0.6 percent, and Household contents and services fell 0.1 percent. Health rose 0.4 percent, the largest contributors being Out-patient services and Hospital Services. Transport rose 0.5 percent with a large increase of 15.7 percent in Domestic air transport. Insurance rose 1.2 percent. Over the year, Housing and household utilities was again the largest contributor, responsible for 49.3 percent of the rise, increasing 3.0 percent. Rents rose 2.8 percent, Purchase of new housing rose 2.9 percent, Property maintenance rose 2.8 percent, Property rates and related services rose 5.0, including Water supply rising 7.0 percent, and household energy rose 1.5 percent. In addition, house insurance rose 7.6 percent and Contents insurance rose 3.5 percent, though mortgage interest (not in the CPI) fell 6.6 percent. In Food, which rose 1.8 percent overall and contributed 22.4 percent of the CPI increase, the biggest impacts were from increases in prices for restaurant and ready-to-eat meals, up by 3.1 percent, and Meat and poultry, up 6.5 percent, while grocery food prices rose 1.9 percent but these were offset by a 9.6 percent fall in Vegetable prices. Rents rose fastest over the year in Wellington (up 4.1 percent) and slowest in Canterbury (up 1.3). In seasonally adjusted terms, CPI showed rose 0.5 percent over the last three months, Food rose 0.8 percent, Alcoholic beverages and tobacco rose 1.0 percent, Clothing and footwear fell 0.7 percent, Housing and household utilities rose 0.8 percent, Communications fell 0.9 percent, Recreation and culture rose 0.3 percent, and Education rose 0.4 percent. Over the year, in Auckland consumer prices rose 1.3 percent, in Wellington they rose 1.3 percent and they rose 1.8 percent in the rest of the North Island. Inflation in Canterbury for the year was 1.2 percent and prices rose 1.8 percent in the rest of the South Island.

- ★ The [Household Living-costs Price Indexes](#) (HLPs) for the year to September 2019 continued the pattern of lower income households facing the highest increases in living costs. The lowest income households experienced a 1.8 percent increase in living costs over the year while the highest income households saw an increase of only 0.9 percent. By expenditure, the lowest spending households had their living costs increase by 2.1 percent over the year while the highest spending households had an increase of only 0.7 percent. Over the year, the All-households HLPI rose 1.3 percent, the Beneficiary households index rose the most at 2.0 percent, the Māori households index rose 1.5 percent, and the Superannuitant households index rose 1.9 percent. By income quintile, the index for the lowest income households (quintile 1) rose 1.8 percent, quintile 2 rose 1.5 percent, quintile 3 rose 1.1 percent, quintile 4 rose 1.1 percent, and quintile 5 (the highest income) rose 0.9 percent. Ranking households by expenditure showed a similar pattern, as the costs of the lowest spending quintile (quintile 1) rose by 2.1 percent, quintile 2 rose by 1.5 percent, quintile 3 rose by 1.3 percent, quintile 4 rose by 1.0 percent, and quintile 5 (the highest spending) rose by 0.7 percent. Over the quarter, the All-households HLPI rose by 0.7 percent, the Beneficiary households index rose 0.6 percent, the Māori households index rose 0.6 percent, and the Superannuitant households index rose 1.0 percent. By income quintile, over the quarter the index for the lowest income households (quintile 1) rose 0.8 percent, quintile 2 rose 0.7 percent, quintile 3 rose 0.6 percent, quintile 4 rose 0.6 percent, and quintile 5 rose 0.5 percent. By expenditure quintile, the index for the lowest expenditure households (quintile 1) rose 1.0 percent, quintile 2 rose 0.7 percent, quintile 3 rose 0.7 percent, quintile 4 rose 0.6 percent, and quintile 5 rose 0.4 percent.
- ★ The [Food Price Index](#) in the month of September 2019 did not rise in actual terms but rose 0.3 percent in seasonally adjusted terms. Food prices rose 2.2 percent in the year to September 2019. Compared with the previous month, fruit and vegetable prices rose 1.9 percent (and rose 2.3 percent seasonally adjusted); meat, poultry, and fish fell 0.8 percent; grocery food prices rose 0.5 percent (and were up 0.5 percent seasonally adjusted); non-alcoholic beverage prices rose 1.2 percent; and restaurant meals and ready-to-eat food prices rose 0.4 percent. (There are no significant seasonal effects for the categories without a seasonal adjustment.)

HLPs show price increases like the CPI (above) but are designed to be better at showing the costs faced by households, and to show the different costs faced by fourteen different types of households. See the commentary in the [November 2016 Bulletin](#) for more detail. Weights reflecting the proportion of different products bought by households were updated starting from the December 2017 release.

Public Sector



★ According to Treasury’s [Financial Statements of the Government of New Zealand](#) for the three months to 30 September, core Crown tax revenue was \$1.5 billion (6.8 percent) below forecast in the May Budget Economic and Fiscal Update (BEFU 2019). Treasury commented on this large variance that it is “mainly owing to below-forecast corporate tax revenue. This variance is mainly owing to the phasing method used to forecast monthly corporate tax, therefore it is expected to reverse out during the year. Most other major tax types were close to forecast.” IRD’s change to a new system (“START”) recognises revenue more smoothly throughout the year, particularly for large corporate taxpayers, and so has made significant changes to the estimates of revenue that Treasury uses. Overall core Crown revenue was \$1.4 billion or 5.9 percent below forecast. Core Crown expenses were close to forecast at just \$89 million (0.4 percent) below forecast. The resulting \$0.6 billion deficit in the Operating Balance before Gains and Losses (OBEGAL) was \$1.6 billion less than the \$1.0 billion surplus forecast. The Operating Balance, a \$3.5 billion deficit, was \$5.4 billion worse than the forecast \$1.8 billion surplus. This was driven by net losses of \$4.6 billion on “non-financial instruments” which was \$4.5 billion worse than forecast, due primarily to the usual problem of changing discount rates used to calculate ACC outstanding claims liability. “The Emission Trading Scheme also recognised a loss of \$0.2 billion due to an increase in carbon price.” However they made gains on investments of \$1.6 billion, \$0.8 billion more than forecast. Net core Crown debt at 20.3

percent (very close to the Government's 20 percent debt target though up a percentage point from the previous financial statements, worth \$60.8 billion) was \$2.1 billion lower than forecast. Gross debt at \$89.6 billion (29.9 percent of GDP) was \$4.2 billion above forecast, due to higher levels of Government stock than forecast and \$2.0 billion higher losses on derivatives than forecast. The Crown's net worth in financial terms was \$4.2 billion above forecast at \$136.0 billion. Note that the above debt figures are for the Core Crown; total debt was \$119.3 billion, \$4.6 billion (4.0 percent) above forecast.

- ★ **District Health Boards** had 30 fewer full time equivalent staff than planned at the end of the 2019 financial year in June 2019 (67,878 compared to 67,908 planned). Only Nursing Personnel had more staff (724) than planned, but these were offset by shortfalls in Medical Personnel (doctors) who were 131 fewer than planned, Allied Health Personnel (454 short), Management/Administration staff (120 short), and Support Personnel (48 short). Average costs per full time equivalent staff were higher than plan (\$109,000 compared to \$98,500 planned) and the same was true in each of the staff categories. The DHBs had accumulated combined deficits of \$1,081.4 million at the end of June 2019 (unaudited). This is \$741.3 million worse than their plans, which class a total \$340.6 million of the deficits as "structural". The Funder arms were in surplus by \$191.3 million, \$138.0 million more than the \$53.3 million surplus planned, and Provider arms (largely their hospitals) were in deficit by \$1,280.9 million, \$887.2 million worse than planned, indicating significant underspending in primary and community health. Every DHB's provider arm was significantly in deficit. The Northern region provider arm was \$421.6 million behind plan with a deficit of \$512.6 million and all four DHBs in deficit including Auckland with a \$197.0 million deficit. The Midland region was \$139.0 million behind plan with a deficit of \$287.2 million and all of the five DHBs in deficit including Waikato with a deficit of \$164.3 million. Central region was \$136.9 million behind plan, with a combined \$204.7 million deficit and all of the six DHBs in deficit including Capital and Coast with a \$87.2 million deficit. The Southern Region was \$189.7 million behind plan with a \$276.4 million deficit and all five DHBs in deficit, with Canterbury showing a \$126.9 million deficit and Southern \$91.4 million. Capital expenditure across all DHBs was \$224.3 million behind plan with \$423.2 million spent out of \$647.5 million planned.
- ★ **Local Government** in the June 2019 quarter recorded no change in its operating income in seasonally adjusted terms and a 0.2 percent rise in operating expenditure (\$5.7 million) including a 0.3 percent fall in employee costs (down \$1.5 million) compared to the previous quarter. This resulted in an operating deficit of \$103.1 million in the quarter, compared with a deficit of \$97.6 million in the previous quarter, and deficits in all the quarters back to June 2007 with the exception of June 2010. Note that the latest quarter results are provisional and all are seasonally adjusted figures which are revised with each release.

Notes

This bulletin is available online at <http://www.union.org.nz/economicbulletin214>. For further information contact [Bill Rosenberg](#).