Labour & Immigration Research Centre

Te Pokapū a Mahi me Te Manene Rangahau

Short-term Employment Prospects: 2012 – 2015

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SHORT-TERM EMPLOYMENT PROSPECTS: 2012-2015

Purpose

Employment prospects to March 2015[1] are presented in this paper which is an update on the employment prospects to March 2014 assessed six months ago. These employment forecasts will be used to inform the Ministry's advice over the next 2-3 years, relating to immigration priorities, and priority setting for tertiary education and industry training. The forecasts have a particular focus on rising employment demand associated with the Canterbury rebuild, which is likely to generate strong demand for employment over the next two years. Following this, employment demand is expected to return to normal growth trends.

The Ministry uses a short-term forecasting model that draws on the latest macroeconomic forecasts by the Treasury and the Reserve Bank, to provide more detailed information on the labour market covering employment in broad industries, occupations or high-level grouping of skills and for regions.[2]

Key points

- Employment will increase gradually, growing by 1.8% (or 40,700) between 2012 and 2013 year to March , by 2.1% (or 46,100) between 2013 and 2014 year to March and by 1.6% (or 36,000) between 2014 and 2015 year to March

- The unemployment rate is expected to trend down slowly, falling to 6.8% by March 2013 then below 6.0% by March 2014 and to decline to 5.5% by March 2015

- Strong employment growth is expected in the primary processing and construction and utilities industries

- Growth in demand for employment in highly skilled jobs (that is, managers and professionals across a number of areas) will be consistently high over the forecast period, accounting for about 40% of the overall employment growth

- Opportunities for lower-skilled workers are expected to account for about one-third of the employment growth over the period. The food processing, retailing, accommodation, agriculture and construction industries are expected to create most of these opportunities

- Employment growth will be strongest in the Auckland and Canterbury regions

[1] All forecasts in this report are presented on a year to 31 March basis which is an average for the entire period and not a point-to-point change. This is done to be consistent with the Treasury's GDP growth forecasts which are also on a year to 31 March basis.

[2] Forecasts completed in August-September 2012 using the Treasury's 2012 Budget Economic and Fiscal Update (May 2012) and the Reserve Bank's Monetary Policy Statement (September 2012).

- The global economic outlook remains sluggish. Continued uncertainty and concerns that the Eurozone may fall into recession could dampen New Zealand's export demand and returns, although the Canterbury rebuild will provide a strong growth stimulus for the economy.

The economic recovery is expected to be sustained…

The Treasury's 2012 budget forecast shows the economy expanding by 3.0% in the year to March 2013, by 3.4% in the year to March 2014 and by 3.1% in the year to March 2015, after the Canterbury rebuild peak is reached (Table 1).

The prospects for global economic growth deteriorated further during the six months to 30 June 2012. Many advanced economies have experienced low or no growth and concerns about sovereign debt and stability are becoming increasingly widespread. In particular, there is concern that many countries in the Eurozone have fallen into recession in 2012. Emerging economies, such as China, are still growing at a healthy rate, but this growth is also slowing—a trend many global commentators expect to continue.

The International Monetary Fund (IMF) revised down the world output growth forecast for 2013 to 3.6% from 4.1% forecast in April this year in its latest World Economic Outlook (October 2012).[3] The International Labour Organisation (ILO) has estimated that this revision in economic growth equates to about 3 million fewer people being employed globally during the year to 31 March 2013.[4]

The 2013 growth forecast for the advanced economies was also revised down by the IMF from 2.0% to 1.5% over the past six months. The growth forecast for New Zealand for 2013 was revised only marginally from 3.2% to 3.1%, which is slightly higher than the Treasury's 2012 Budget forecast of 3.0%.

Despite global economic uncertainty, prices for New Zealand's exports remain high and businesses remain reasonably confident. The Rugby World Cup stimulated domestic consumption and services exports in the second half of 2011. However, there is likelihood of slowing economic growth amongst some trading partners and on-going global economic sluggishness impacting on prospects for the demand and returns for New Zealand exports.

[3] Source: http://www.imf.org/external/pubs/ft/weo/2012/02/index.htm

[4] Source: http://www.4-traders.com/news/ILO-International-Labour-Organization-ILO-calls-on-G20-to-live-up-to-its-promise-to-tackle-the-c--15324300/

Table 1: GDP forecast, employment and productivity changes (March years)

Annual average percentage change	2013 (%)	2014 (%)	2015 (%)
GDP growth (Treasury)	3.0%	3.4%	3.1%
Labour Productivity (MBIE)	1.2%	1.3%	1.5%
Employment growth (MBIE)	1.8%	2.1%	1.6%

Source: The Treasury; MBIE – Labour, Short-term employment model.

The Canterbury rebuild will provide a significant boost to employment growth over the next few years. The Treasury's damage estimates are $20 billion spread across residential property and contents ($13 billion), commercial ($4 billion) and infrastructure ($3 billion). Rebuilding is expected to ramp up from the second half of 2012.[5] This will provide a powerful offset to the effects of the weaker global economy. The precise timing of the peak rebuild remains uncertain.

...with stronger recovery in the labour market...

Employment grew by 1.4% between 2011 and 2012 year to March and is expected to continue to recover over the next two years. We expect employment to grow by 1.8% between 2012 and 2013 year to March, by 2.1% between 2013 and 2014 year to March, and by 1.6% between 2014 and 2015 year to March (see Table 1). This employment growth is associated with the expected rise in GDP growth forecast by the Treasury along with an increase in productivity.

Employment is expected to increase by 86,800 in the two years between 2012 and 2014 year to March, which suggests a strong recovery in the labour market associated with the Canterbury rebuild. This will be followed by an outlook more in line with trend growth between 2014 and 2015 year to March. This is well below the pre-recession employment growth rate of about 2.8% (see Figure 1).

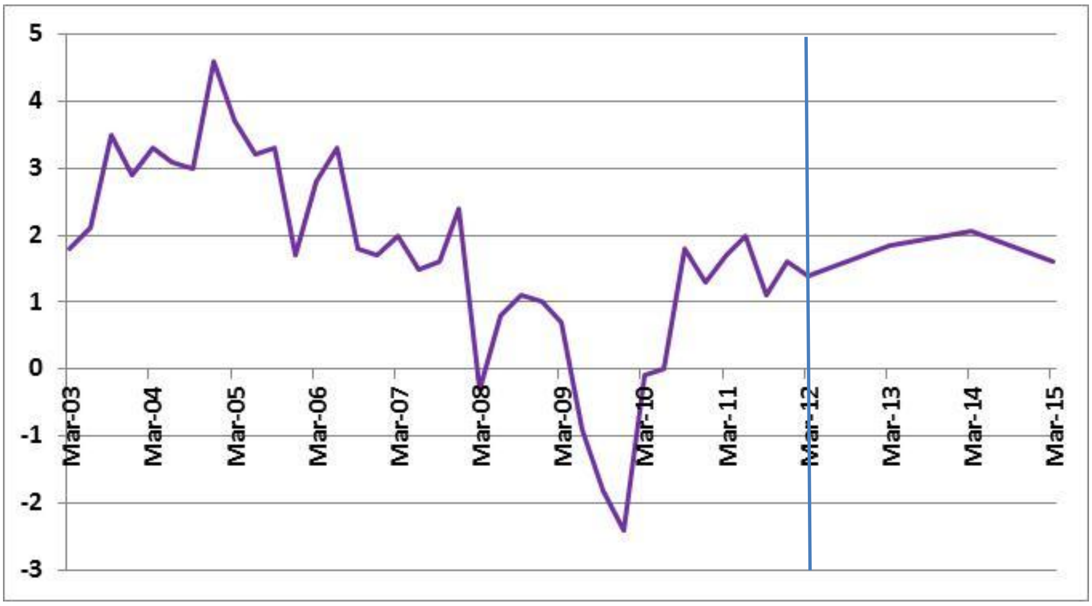
This employment growth excludes job opportunities that will arise as workers retire. The Ministry estimates that this 'additional demand' due to those retiring is likely to be about 50,000 jobs per year over the coming years.[6] This means that while employment could rise by 41,000 between 2012 and 2013 year to March , another 50,000 people may be required to replace those retiring and detaching themselves from the labour force.

Modest growth in employment means that the unemployment rate is expected to drop gradually to 6.8% by March 2013. As employment growth strengthens in 2014, the unemployment rate is expected to drop further to 5.5% by March 2015 (see Figure 2).

[5] Source: 2012 Budget Economic and Fiscal Update (May 2012)

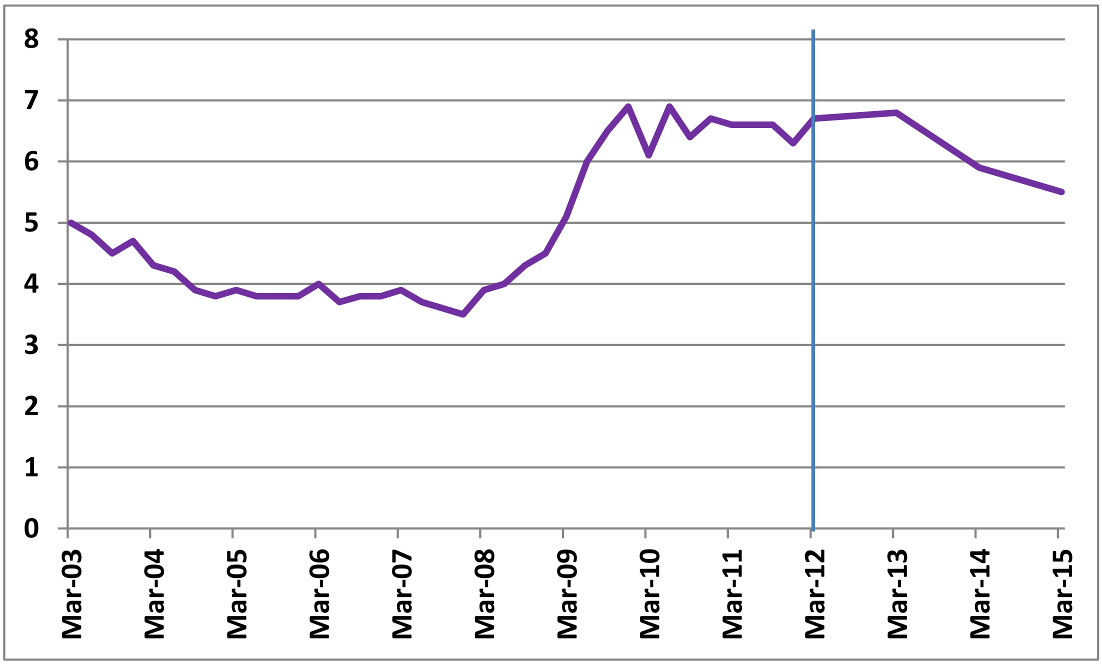
[6] Source: http://www.dol.govt.nz/services/LMI/tools/skillsinsight/forecasting-narratives/retirement/

Figure 1: Employment growth (annual % change)



Source: HLFS, Statistics New Zealand; MBIE – Labour forecasts

Figure 2: Unemployment rate (% of labour force)



Source: HLFS, Statistics New Zealand; MBIE – Labour forecasts

…with strong growth in specific sectors and industries…

High employment growth is expected in construction and related activities over the 2013 and 2014 March years (about 40% of growth). Private sector services will also account for substantial employment growth (about 32%).

Following the peak employment growth in construction in the next two years, private services will account for about 40% of the employment growth during the year to March 2015. Employment growth in private sector services is attributable to the high level of employment in this sector rather than to the rate of growth. We expect the recent strength in the primary processing industry to continue, and the construction and property services industries to recover somewhat over the forecast horizon. The Canterbury rebuild and other significant projects across New Zealand will drive the recovery in construction.

Over the forecast period, employment growth is expected to be strongest in the primary processing and other manufacturing industries such as metal product and machinery and equipment manufacturing, construction and utilities and private service industries such as wholesale and retail trade (see Table 2).

Primary sector GDP is expected to rise strongly between 2013 and 2014 year to March accompanied by stronger employment growth compared to between 2012 and 2013 year to March. GDP growth amongst primary processing activities is not anticipated to be as strong, leading to modest employment growth during the next two years.

Table 2: Employment growth by industry, March years

Industry	2013		2014		2015	
	(000)	(%)	(000)	(%)	(000)	(%)
Primary sector	1.8	1.1%	3.6	2.2%	2.7	1.6%
Primary processing	1.7	1.8%	1.5	1.5%	2.1	2.1%
Other manufacturing	2.9	1.8%	1.7	1.0%	2.3	1.4%
Construction and utilities	15.8	8.6%	18.6	9.3%	4.2	1.9%
Private services[7]	14.2	1.5%	13.7	1.4%	14.9	1.5%
Core government sector	-0.7	-0.7%	-0.2	-0.2%	0.4	0.4%
Heath and education	4.2	1.0%	6.0	1.4%	7.2	1.7%
Other public services	0.7	0.5%	1.1	0.8%	2.2	1.4%
Total	**40.7**	**1.8%**	**46.1**	**2.1%**	**36.0**	**1.6%**

Source: MBIE – Labour, Short-term employment model.

…and in highly skilled and skilled (trades) jobs…

During the two years between 2012 and 2014 year to March, employment growth will be consistently strong at above 2.0% in highly skilled jobs (see Table 3). Employment growth through this period is expected to be weakest for semi-skilled jobs (namely clerical and some service and primary sector workers). Demand for skilled (trades) workers is strongest over the next two years when the Canterbury rebuild reaches its peak.

The anticipated growth in highly-skilled jobs is reflected in the latest Jobs Online report which shows that skilled job vacancies increased by 3.8% in the year to September 2012. This indicates that the demand for skilled workers has increased over the past year.

[7] Employment growth in retail trade which is part of 'Private services' is forecast to grow by between 2.0% and 2.3% over the 2013 and 2014 March years and wholesale trade is expected to grow by between 1.7% and 2.0%.

Table 3: Employment growth by skill level, March years

Skill-level	2013		2014		2015	
	(000)	(%)	(000)	(%)	(000)	(%)
Highly skilled	15.3	2.1%	17.1	2.3%	16.5	2.2%
Skilled	12.1	2.5%	13.3	2.7%	7.2	1.4%
Semi-skilled	6.1	0.9%	7.8	1.1%	7.4	1.1%
Elementary skilled	7.2	2.2%	7.9	2.4%	4.9	1.4%
Total	**40.7**	**1.8%**	**46.1**	**2.1%**	**36.0**	**1.6%**

Source: MBIE – Labour, Short-term employment model and occupational/skill decomposition.

…with some opportunities for lower-skilled workers

Opportunities for lower-skilled workers (that is, semi-skilled and elementary workers) are expected to account for about 35% (or 29,000 workers) of the total employment growth of about 87,000 during the two years between 2012 and 2014 year to March 2014.

The main industries likely to have the greatest opportunities for lower-skilled workers include food processing, retailing, accommodation, agriculture and construction.

Retirement demand will be highest among highly-skilled and skilled workers (see Table 4).

Table 4: Retirement demand by skill-level, annual average 2011-16[8]

Skill-level	2011-16	
	(000)	(%)
Highly-skilled	18	2.4%
Skilled	11	2.2%
Semi-skilled	14	2.0%
Elementary skilled	7	2.2%
Total	**50**	**2.2%**

Source: MBIE – Labour, Cohort component model using 5-yearly Census age cohorts.

Auckland and Canterbury will drive employment growth

During the two years between 2012 to 2014 year to March, employment growth in Auckland and Canterbury is expected to dominate national employment growth (see Table 5).

Auckland will continue to drive national employment growth over the forecast period due to above average growth in a number of industries that are concentrated in the region, such as wholesale and retail trade, transport and storage and business services. Annual average employment growth of 2.0% over the period will be enough to absorb growth in the working-age population.[9]

[8] Source: http://www.dol.govt.nz/services/LMI/tools/skillsinsight/forecasting-narratives/retirement/

[9] Working-age population (those who are 15 years of age and over) growth in Auckland is expected to be about 1.7% p.a. for 2011-16

Labour force participation is likely to remain high, which will lead to a muted impact on the unemployment rate.

Canterbury will also contribute strongly to national employment growth as the rebuild gathers momentum during 2013 and 2014. This is reflected in strong regional growth in employment in skilled vacancies over the two years between 2012 and 2014 year to March, with most of this in construction related activities.

Amongst the other regions, employment growth in Northland, Waikato, Taranaki, and Wellington is forecast to be modest over the 2013 and 2014 March years but is expected to recover somewhat during the 2015 March year.

Table 5: Employment growth (levels and average per year) by region, for 2012-14 (next two) and 2012-15 (next three) March years

Region	2012-14		2012-15	
	(000)	(%)	(000)	(%)
Northland	1.1	0.9%	3.2	1.6%
Auckland	23.6	1.8%	35.3	1.7%
Waikato	4.3	1.3%	8.2	1.7%
Taranaki	2.3	1.1%	6.1	2.0%
Bay of Plenty	5.2	1.7%	8.7	1.9%
East Coast	3.2	1.6%	5.6	1.8%
Central	3.4	1.5%	6.6	1.9%
Wellington	1.6	0.3%	8.9	1.2%
Nelson	3.7	2.0%	5.7	2.0%
Canterbury	26.5	4.2%	22.1	2.4%
Southern	11.8	2.7%	12.0	1.8%
Total	**86.8**	**2.0%**	**122.8**	**1.8%**

Source: MBIE – Labour, Short-term employment model and regional decomposition.

Caveats

These forecasts are based on GDP growth forecasts of the Treasury's 2012 Budget Economic and Fiscal Update prepared in April-May 2012 and the Reserve Bank of New Zealand Monetary Policy Statement of September 2012. Since then, the outlook for the global economy has fluctuated markedly and will likely impact on the prospects for the New Zealand economy. This suggests some downside risk with these forecasts if New Zealand experiences any adverse effects following significant changes in international markets.

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