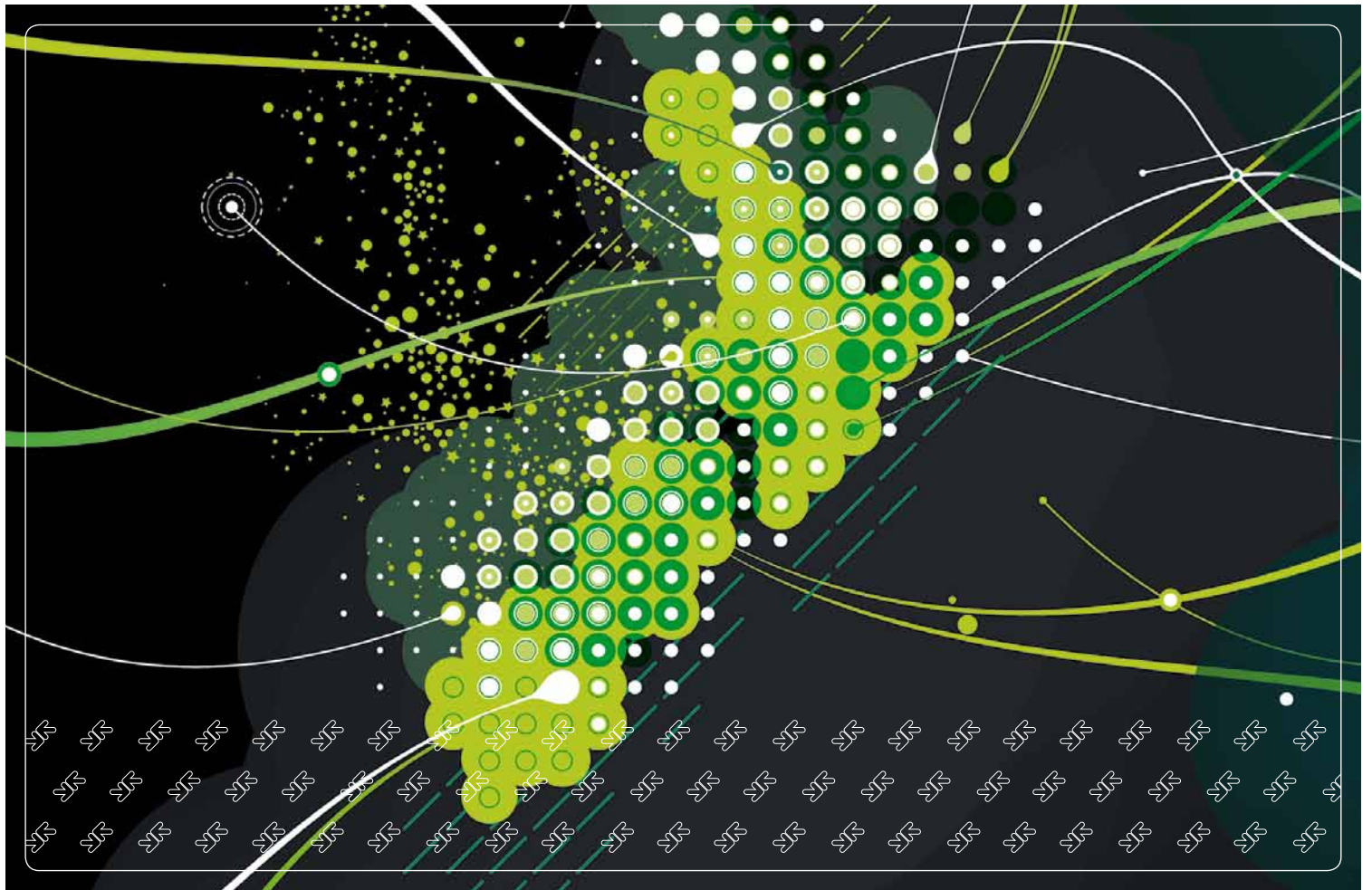




Regional Labour Market Overview 2009



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The Department of Labour's labour market analysis tools:

Regional Industry Snapshot

<http://www.dol.govt.nz/services/LMI/tools/regional-industry-tool.asp>

An interactive tool which allows you to select and view key facts about selected regions or industry in terms of the number of employees.

Key Information Tool (KIT)

<http://www.dol.govt.nz/services/LMI/tools/kit.asp>

This tool gives users headline labour market information from a range of sources in a single, easy to access place.

Tū Mai Iwi Tool

<http://www.dol.govt.nz/services/LMI/tools/tu-mai-iwi.asp>

This tool provides a customised profile of iwi labour market indicators that allows for comparison between about 100 individual iwi, Māori and the general New Zealand population.

Jobs and Tertiary Education Indicator

<http://www.dol.govt.nz/services/LMI/tools/jtei.asp>

An interactive tool using Census data which allows you to explore key facts about the fields of study, occupations, and industries of New Zealanders.

SkillsInsight Tool (SIT)

<http://www.dol.govt.nz/services/LMI/tools/skillsinsight-tool.asp>

This tool has been designed to provide quantitative evidence about the supply of, and demand for, labour in New Zealand.

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Executive Summary

This report provides an overview of regional labour market trends over the past five years. It presents key labour market statistics for each region and examines the extent to which differences in regional labour market performance have changed. The report considers a range of regional labour market indicators; population, economic activity, labour force participation, employment, earnings and unemployment. The key findings include:

Economic activity: In the five years to September 2009, growth in economic activity, as measured to the National Bank's composite index of economic activity, has been the strongest in the West Coast averaging 1.9% per annum. Taranaki and Gisborne (both 1.8% per annum) have also experienced strong growth over the past five years. Growth has been the weakest in Northland (0.5% per annum) and the Auckland region (0.6% per annum).

Labour force participation: In the year to September 2009, Southland had the highest participation rate at 72.9%, followed by Wellington (71.2%) and Canterbury (69.8%). Northland and Bay of Plenty had the lowest participation rates at 63.6% and 65.0% respectively. Over the past five years, Southland and Manawatu-Wanganui have enjoyed the strongest growth in the participation rate.

Employment rate: In the year to September 2009, Southland had the highest employment rate with 70.6% of the working-age population in employment, followed by Wellington at 67.5%. Northland had the lowest employment rate at 58.4%, followed by Bay of Plenty at 61.1%. The largest increase in the employment rate over the past five years was in Southland followed by Manawatu-Wanganui and Wellington.

Unemployment rate: In the year to September 2009, Southland had the lowest unemployment rate (3.1%), followed by Tasman/Nelson/Marlborough/West Coast (3.4%) and Taranaki (3.5%). Northland had the highest unemployment rate at 8.3% while Gisborne/Hawke's Bay recorded a rate of 7.8%. Taranaki and Southland have enjoyed the largest falls in the unemployment rate over the past five years.

Median weekly earnings: As at June 2009, Wellington and Auckland had the highest median weekly earnings. Over the past five years, growth in median weekly earnings has been the strongest in Otago (5.7% per annum) and Northland (5.6% per annum). Growth has been the weakest in Auckland and Waikato (both 3.2% per annum).

The strongest and weakest performers

Almost regardless of what indicator is used, Southland has been the stand out performer over the past five years. It was ranked highly both on its current labour market outcomes and on the improvement in these indicators over the past five years. Wellington was also a strong performer. These regions not only have a high proportion of the working-age population participating in the labour force but also a low proportion of people unemployed.

Northland, Bay of Plenty, Manawatu-Wanganui and Gisborne/Hawke's Bay were ranked the lowest on the examined labour market outcomes. People in these regions are not only less likely to participate in the labour force but are also, in general, less likely to find a job if they do. There are some common factors amongst these four regions. They are relatively rural regions with large primary

sectors and a higher than average proportion of low skilled jobs. They also have a large proportion of people aged over 65 and a population with fewer qualifications than average.

Nevertheless, with the exception of perhaps Bay of Plenty, a strong message from this analysis is the improvement in results in these regions over the past five years. This was particularly true for the 2004 to 2008 period as the labour market performed strongly. As a result, they have generally "caught up" with the rest of New Zealand. Of concern however, is that the downturn in the labour market over the past eighteen months has particularly affected regions which have below average labour market outcomes, such as Northland and Gisborne/Hawke's Bay. The unemployment rate in these two regions has spiked sharply over the past year. There is a risk that the current downturn causes regional differences and inequalities to increase and reverses the gains achieved over the prior four years.

As the labour market has eased over the past year, Northern regions appear to have been the most affected. Northland's unemployment rate has risen from 4.7% to 8.3% while Gisborne/Hawke's Bay, Bay of Plenty, Waikato and Auckland have all experienced larger than average increases in the unemployment rate. The slowdown in employment over the past year has been driven by the Auckland region where employment has fallen by 2.8%, or more than 19,000 people, due to employment declines in manufacturing, retail trade and finance & insurance services.

Summary of key labour market indicators, years to September 2004 and 2009

	Unemployment rate		Labour force participation rate		Employment rate		Median weekly earnings		Annual average % change economic activity (04-09)
	2004	2009	2004	2009	2004	2009	2004	2009	
Northland	5.5%	8.3%	60.4%	63.6%	57.1%	58.4%	\$532	\$700	0.5%
Auckland	4.0%	6.2%	66.7%	68.4%	64.0%	64.1%	\$671	\$786	0.6%
Waikato	3.7%	5.8%	67.9%	69.4%	65.4%	65.3%	\$614	\$720	1.3%
Bay of Plenty	5.5%	6.1%	64.9%	65.0%	61.3%	61.1%	\$556	\$672	1.0%
Gisborne/ Hawke's Bay	5.4%	7.8%	63.9%	67.5%	60.5%	62.2%	\$560	\$720	-
Taranaki	4.5%	3.5%	65.7%	67.0%	62.7%	64.6%	\$575	\$750	1.8%
Manawatu- Wanganui	4.2%	4.7%	62.6%	66.2%	59.9%	63.1%	\$595	\$700	1.3%
Wellington	4.8%	5.1%	68.2%	71.2%	64.9%	67.5%	\$671	\$806	1.4%
T/N/M/WC	2.9%	3.4%	66.6%	68.1%	64.7%	65.8%	\$552	\$700	-
Canterbury	3.9%	4.7%	69.3%	69.8%	66.6%	66.5%	\$600	\$729	1.5%
Otago	4.4%	4.6%	66.4%	66.3%	63.4%	63.2%	\$552	\$729	1.2%
Southland	3.9%	3.1%	68.6%	72.9%	65.9%	70.6%	\$560	\$695	1.6%
New Zealand	4.3%	5.5%	66.6%	68.5%	63.8%	64.7%	\$614	\$756	1.1%

Source: Statistics New Zealand, National Bank. Note all Household Labour Force Survey data are averaged over a year to reduce sample error and seasonal variations.

Introduction

The purpose of this report is to provide an overview of regional labour market trends for New Zealand's regional council areas focusing primarily on the past five years. However, given the downturn in the economy over the past 18 months, trends over the past year are also examined.

The *Regional Labour Market Overview 2009* considers a number of regional labour market indicators. It presents regional labour market performance over recent periods and shows the performance in each region in the context of the national economy. In doing so, the report measures the extent to which differences in regional labour market performance have changed, both over the past five years and the past year.

This report should enable regional decision makers to monitor/benchmark labour market performance across a range of indicators and help identify areas they may wish to address to improve labour market performance. In addition, it is hoped that this report will be used to contribute to discussions around regional economic development as the labour market is a key component of the economic fabric of a region. This issue is particularly pertinent given the downturn in the economy. Due to the different structure and composition of New Zealand's regions, the impact of this downturn has varied across New Zealand.

Comparing regional labour market performance is not always an easy task. The common practice of simply looking only at one indicator, such as the unemployment rate, can be too simplistic for analysing a region's labour market outcomes. A wider range of indicators often needs to be examined. This report will examine some key indicators separately across the different regions, before bringing them all together to provide an analysis of overall labour market performance. However, this report does not intend to provide an exhaustive list of all indicators which affect labour market performance. Many factors beyond those included in this report determine overall performance such as climate and economic and settler history. The rankings included in the second half of this report are merely based upon those indicators presented.

There are 16 regional council areas in New Zealand. However, for the most part, this report aggregates some regional council areas together. This has been due solely to data availability. The following regions are aggregations of New Zealand regional council areas:

- Gisborne/Hawke's Bay – Gisborne Region, Hawke's Bay Region
- Tasman/Nelson/Marlborough/West Coast – Tasman Region, Nelson Region, Marlborough Region, West Coast Region. Note that for presentation purposes this report uses T/N/M/WC to refer to the Tasman/Nelson/Marlborough/West Coast region.

Population

Understanding the size, composition and differences in growth of a region's population is essential for understanding the variation in labour market outcomes between regions. For example, differences in economic activity and employment growth across regions can often be explained by differences in population growth and the composition of that population.

Eleven out of the twelve regional councils have experienced growth in the size of their working-age population over the five years to September 2009 (see *Table 1*). Only Otago (-0.2% per annum) recorded a decline in the population aged 15 years and over. The Waikato region experienced the strongest growth in the working-age population, increasing by an average of 3.3% per annum over the five year period. This was followed by Canterbury (2.1% per annum) and Auckland and Taranaki (both 1.5% per annum).

Between 2004 and 2009, the largest regions have accounted for the majority of population growth. The four regions with the largest working-age populations (Auckland, Canterbury, Wellington and Waikato) have accounted for 86% of growth in the working-age population, yet these regions represent only 67% of all those aged 15 years and over. This suggests that the workforce is becoming increasingly clustered around the main urban centres, most likely due to people moving to cities in search of better employment and educational opportunities. Additionally, migrants are also more likely to settle in urban centres, particularly Auckland.

Table 1: Working-age population growth, years to September 2004-2009

	Working-age population		
	2009 (000s)	Annual average % change 2004-09	Annual average % change 2008-09
Northland	116.7	1.2%	2.7%
Auckland	1,018.8	1.5%	-0.7%
Waikato	314.0	3.3%	0.8%
Bay of Plenty	190.9	0.8%	4.2%
Gisborne/Hawke's Bay	160.4	0.5%	3.1%
Taranaki	89.6	1.5%	-2.1%
Manawatu-Wanganui	182.8	0.1%	0.5%
Wellington	409.0	1.4%	2.7%
T/N/M/WC	141.9	1.2%	3.8%
Canterbury	507.2	2.1%	0.5%
Otago	159.3	-0.2%	9.6%
Southland	76.1	0.1%	-0.8%
New Zealand	3,366.6	1.4%	1.2%

Source: Household Labour Force Survey, Statistics New Zealand. Note: All data are averaged over a year to reduce sample error and seasonal variations.

Given that differences in labour market outcomes can often be explained by the composition of different regional working-age populations, *Table 2* provides a breakdown of some key population characteristics.

When analysed by age, there are some clear differences between the twelve regions. Tasman/Nelson/Marlborough/West Coast have a low proportion of people aged between 15 and 24, as do Northland and Bay of Plenty. Otago and Auckland on the other hand have a high proportion of youth. In general, youth have higher unemployment rates and lower participation and employment rates than average.

It is also worth analysing those aged 65 years and over given that this group is included in the definition of the working-age population and therefore in employment rate and labour force participation rate calculations. Bay of Plenty, Northland and Taranaki have the highest proportion of those aged 65 years and over with nearly one in five people of working-age included in this age group. Auckland and Wellington have the lowest proportion of those 65 years and over.

Table 2: Characteristics of the working-age population, 2006

	Age		Ethnicity		Qualifications	
	% 15-24	% 65+	% Maori	% Pacific	% No quals	% Bachelors or higher
Northland	15.1%	18.9%	26.6%	1.8%	31.9%	9.1%
Auckland	19.5%	12.7%	9.2%	11.6%	20.3%	19.9%
Waikato	18.3%	16.1%	17.5%	2.4%	29.0%	12.3%
Bay of Plenty	15.5%	19.2%	23.0%	1.9%	29.0%	10.3%
Gisborne/Hawke's Bay	16.3%	17.6%	24.5%	2.7%	31.6%	10.0%
Taranaki	16.0%	18.9%	12.9%	1.0%	33.0%	9.2%
Manawatu-Wanganui	18.5%	18.3%	15.9%	2.0%	30.9%	11.6%
Wellington	18.5%	14.4%	10.6%	6.5%	19.8%	23.0%
T/N/M/WC	14.0%	18.2%	7.2%	0.9%	28.9%	10.6%
Canterbury	17.3%	17.3%	5.8%	1.7%	25.7%	14.3%
Otago	21.2%	16.8%	5.4%	1.4%	23.7%	16.0%
Southland	16.1%	17.7%	9.7%	1.3%	35.6%	8.5%
New Zealand	18.1%	15.7%	12.1%	5.5%	25.0%	15.8%

Source: 2006 Census of Population and Dwellings, Statistics New Zealand.

The ethnic breakdown across different regions is important when considering labour market outcomes. Northland, Gisborne/Hawke's Bay and Bay of Plenty all have a high proportion of Maori, who in general have historically had poorer labour market outcomes than average. About one-quarter of the working-age population in these three regions are Maori, compared to only 10% in the other nine regions. The South Island has a low proportion of Maori as does the Auckland region. Pacific peoples are mainly concentrated in Auckland and, to a lesser extent, Wellington. More than 80% of Pacific peoples live in these two regions.

The skill level of the working-age population is also a strong determinant of labour market outcomes. Wellington is the most qualified region, with nearly one-quarter of working-age people having a Bachelors Degree or higher. Auckland and Otago also have a larger than average proportion of people with a Bachelors Degree or higher. Northland, Taranaki and Southland are the least qualified regions with around one-third of their respective working-age populations holding no qualifications.

Regional Economic Activity

Economic growth is usually measured by changes in real Gross Domestic Product (GDP). However, the latest official statistics on real GDP by region are only available for the year ending March 2003¹. Other indicators of economic activity are therefore often used to examine how regions are performing. The National Bank, for example, produces composite indices of regional economic activity on a quarterly basis. The National Bank economic activity indicator is based on a combination of 23 different data series².

Whilst the National Bank data are not official statistics, they provide an up to date measure of economic performance. Furthermore, it has been shown that the National Bank activity data for New Zealand as a whole broadly matches trends in the real GDP series³.

In the five years to September 2009, growth in economic activity has averaged 1.1% per annum according to the National Bank's composite index of economic activity. Growth has been the strongest in the West Coast (1.9% per annum) as the region has benefited from strong growth in tourism, mining and dairy-related industries. Taranaki and Gisborne (both 1.8% per annum) have also experienced strong growth in economic activity over the past five years. Growth in Taranaki has largely been on the back of robust contributions in the oil & gas and dairy sectors, while Gisborne's large agriculture sector and its associated downstream processing industries have driven growth. Southland has also grown relatively strongly at an average of 1.6% per annum as their large dairy sector has benefited from high milk prices in the past. The strong growth in Gisborne, West Coast and Southland is especially remarkable given they have experienced subdued population growth over the past five years.

Economic activity growth has been the lowest in Northland (0.5% per annum) followed by the Auckland region (0.6% per annum) and Hawke's Bay (0.8% per annum). It is interesting to note that New Zealand's largest region, Auckland, which represents about one-third of total GDP, has experienced the second lowest growth over the past five years. It is slightly surprising growth has been so weak, given that the economies of scale and high level of the human capital stock in Auckland gives it significant advantages over other regions.

The New Zealand economy entered recession at the beginning of 2008 and recorded a fall in economic activity over all five quarters to March 2009. From its peak in the December 2007 quarter, the National Bank's composite index of economic activity fell 3.2% in the 15 months to March 2009, closely matching the 2.9% fall reported in official GDP statistics. In the June 2009 quarter however, both measures reported that New Zealand had exited recession. The National Bank's measure of economic activity rose by 0.3% over the quarter while official GDP data showed the economy grew by 0.1%. In the September 2009 quarter, the National Bank's measure of economic activity increased 0.7%.

¹ In December 2006 Statistics New Zealand released their research report on regional GDP. The report gave annual estimates for regional GDP which were consistent with national GDP, for the years ended March 2000 to 2003. The initial regional GDP project was to determine the feasibility of regional GDP only.

² The National Bank uses 23 series to calculate the composite indices of regional economic activity including: business confidence; consumer confidence; retail sales; new motor vehicle registrations; regional exports; registered unemployment; building permits approved; real estate turnover; household labour force data; job ads; and accommodation survey data.

³ See Hall, Viv B., and McDermott, C. John (2004), "Regional business cycles in New Zealand: Do they exist? What might drive them?", Motu Working Paper 04-10, Motu Economic and Public Policy Research.

Table 3: Regional Economic indicators, years to September 2004-2009

	National Bank Economic Activity	
	Annual average % change 2004-09	Annual % change 2008-09
Northland	0.5%	-2.5%
Auckland	0.6%	0.5%
Waikato	1.3%	-1.6%
Bay of Plenty	1.0%	-1.5%
Gisborne	1.8%	1.3%
Hawke's Bay	0.8%	-0.4%
Taranaki	1.8%	-0.8%
Manawatu-Wanganui	1.3%	0.6%
Wellington	1.4%	-3.2%
Nelson-Marlborough	1.2%	-0.1%
West Coast	1.9%	-0.1%
Canterbury	1.5%	-0.5%
Otago	1.2%	-0.6%
Southland	1.6%	-1.5%
New Zealand	1.1%	-0.7%

Source: National Bank.

The largest falls in activity over the past year were all in regions in the North Island. Wellington contracted by 3.2%, followed by Northland (-2.5%) and Waikato (-1.6%). Construction and retail activity has been particularly weak in all three regions, while the slowdown in tourism has also led to a large decline in guest nights in Northland. Drought conditions in early 2008 and the fall in commodity prices will have also affected Northland's and Waikato's large agricultural sectors. Only three regions experienced a rise in economic activity over the past year, with Gisborne recording the largest rise at 1.3%.

Labour Force Participation

The labour force participation rate is the percentage of the working-age population (usually resident non-institutionalised civilian population aged 15 years and over) who are either employed (working one hour or more) or unemployed (not in work, but who are available for and actively seeking work). The labour force participation rate is affected by the state of the economy and also the demographic characteristics of the population.

When economic growth is strong and jobs are easy to find, the participation rate will often rise as people are encouraged to enter the labour force and look for work. However, during a downturn, we usually expect the participation rate to decline. As people find jobs hard to come by they turn to other activities such as childcare or study, thereby dropping out of the labour force. This is known as the discouraged worker effect. Changes in the participation rate over a longer time period reflect demographic characteristics and social trends such as increased labour force participation for women and changes in retirement practice.

The national labour force participation rate has risen over the past five years as tight labour market conditions over recent years have encouraged people to enter the labour force. The annual average rate was at near record high of 68.5% in September 2009, up from 66.6% in September 2004. The increase has been driven by increased participation of women, older people and ethnic minorities. In the year to September 2009, Southland had the highest participation rate at 72.9% followed by Wellington (71.2%) and Canterbury (69.8%). Northland and Bay of Plenty had the lowest participation rates at 63.6% and 65.0% respectively.

Table 4: Labour force participation rate, years to September 2004-2009

	Participation rate		% point change (2004-09)	% point change (2008-09)
	2004	2009		
Northland	60.4%	63.6%	3.2	0.3
Auckland	66.7%	68.4%	1.7	0.0
Waikato	67.9%	69.4%	1.5	-0.6
Bay of Plenty	64.9%	65.0%	0.1	1.0
Gisborne/Hawke's Bay	63.9%	67.5%	3.5	-0.8
Taranaki	65.7%	67.0%	1.4	-1.1
Manawatu-Wanganui	62.6%	66.2%	3.6	1.3
Wellington	68.2%	71.2%	3.0	1.3
T/N/M/WC	66.6%	68.1%	1.5	-0.4
Canterbury	69.3%	69.8%	0.5	0.0
Otago	66.4%	66.3%	-0.1	0.3
Southland	68.6%	72.9%	4.2	1.1
New Zealand	66.6%	68.5%	1.8	0.2

Source: Household Labour Force Survey, Statistics New Zealand.

Note some data may not sum due to rounding. All data are averaged over a year to reduce sample error and seasonal variations.

Over the past five years, Southland has enjoyed the strongest growth in the participation rate, increasing by 4.2 percentage points. The participation rate in Manawatu-Wanganui, Northland and Gisborne/Hawke's Bay have also risen strongly, all up by more than 3 percentage points compared to five years ago. Otago, Bay of Plenty and Canterbury recorded the weakest growth in the participation rate.

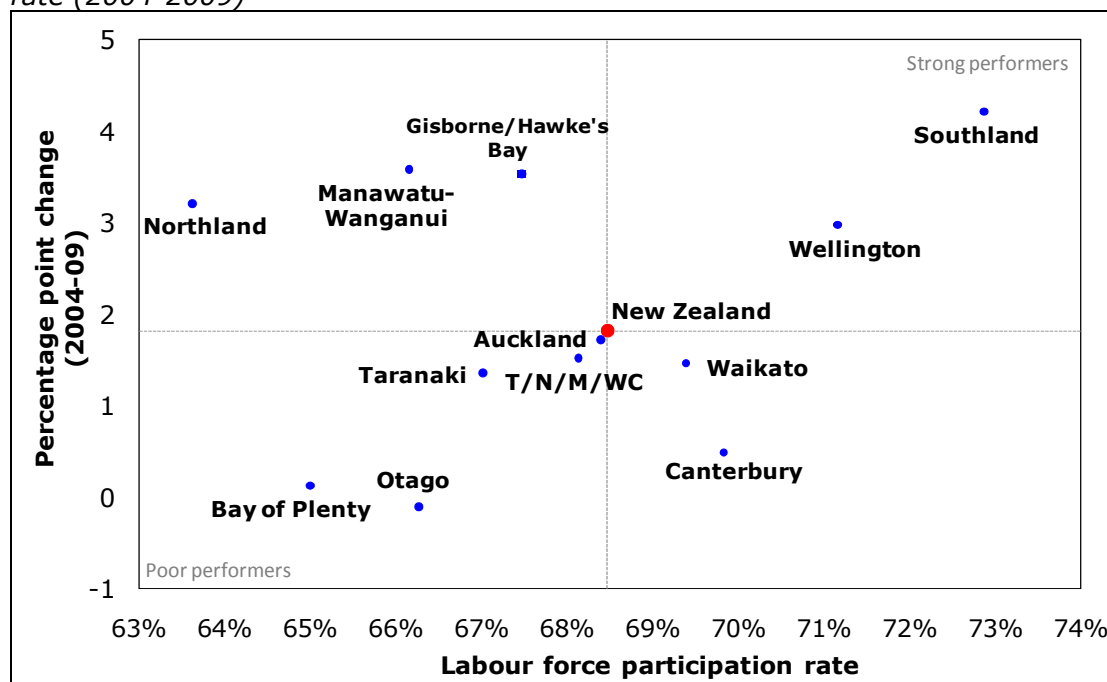
Despite the economic downturn, the national participation rate has continued to rise over the past year. Only four out of the twelve regions have experienced a fall with two recording no change. Taranaki has seen the participation rate fall by the most (1.1 percentage points) as declining employment opportunities have discouraged people from participating in the labour force. Wellington and Manawatu-Wanganui both recorded large increases in the participation rate as employment in these regions continued to grow strongly.

Regional differences

There has been strong growth in the participation rate over the past five years, but significant differences between the regions remain. The difference between the regions with the highest and lowest participation rates remain similar to that recorded in the year to September 2004.

Figure 1 below presents the participation rate for the year to September 2009 as well as the increase in the participation rate that each region has experienced over the 2004-2009 period. The chart is a useful way of comparing both a regions current participation rate and its change over the past five years. Regions to the right of the dotted vertical line that represents New Zealand had higher participation rates than the national average in the year to September 2009, while regions above the horizontal line had a greater percentage point rise in the participation rate than the national average between 2004 and 2009. Regions in the upper right quadrant, such as Southland, should therefore be considered the strongest performers over recent years.

Figure 1: Labour force participation rate (2009) and change in the participation rate (2004-2009)



Source: Household Labour Force Survey, Statistics New Zealand.
 Note all data are averaged over a year to reduce sample error and seasonal variations.

Employment

Employment growth has varied considerably by region, both over the last five years and the most recent year. A number of factors contribute to the variation in employment growth seen across different regions such as age, education levels, population growth and industry structure. Changes in the participation rate can also affect employment growth.

Employment growth

Over the five years to September 2009, employment growth has been the strongest in the Waikato and Wellington regions, increasing by an average of 3.3% and 2.2% per annum respectively. The strong rise in employment for Waikato has been due to strong growth in health & community services, property & business services and construction. The Canterbury and Taranaki regions have also enjoyed above average growth in employment over this period.

The only region not to experience growth in employment between 2004 and 2009 was the Otago region with employment falling by 1,400 people. Despite the decline in employment, the Otago region has the fourth lowest unemployment rate which has remained relatively steady over the past five years. The fall in employment appears to be due to a fall in the working-age population in the region.

Table 5: Employment indicators, years to September 2004 and 2009

	Employment growth		Employment rate	
	Annual average % change 2004-09	Annual average % change 2008-09	2004	2009
Northland	1.6%	-0.7%	57.1%	58.4%
Auckland	1.5%	-2.8%	64.0%	64.1%
Waikato	3.3%	-1.9%	65.4%	65.3%
Bay of Plenty	0.7%	3.9%	61.3%	61.1%
Gisborne/Hawke's Bay	1.1%	-0.6%	60.5%	62.2%
Taranaki	2.1%	-4.1%	62.7%	64.6%
Manawatu-Wanganui	1.1%	2.6%	59.9%	63.1%
Wellington	2.2%	3.0%	64.9%	67.5%
T/N/M/WC	1.6%	2.9%	64.7%	65.8%
Canterbury	2.1%	-1.3%	66.6%	66.5%
Otago	-0.3%	8.6%	63.4%	63.2%
Southland	1.5%	-0.2%	65.9%	70.6%
New Zealand	1.7%	-0.3%	63.8%	64.7%

Source: Household Labour Force Survey, Statistics New Zealand. Note some data may not sum due to rounding. All data are averaged over a year to reduce sample error and seasonal variations.

More recently, nationwide employment growth has slowed as economic activity has fallen. However, despite annual economic activity falling by 1.8% in the year to June 2009, employment has fallen by only 0.3% over the past year on an annual average basis. Five out of the twelve regions experienced a rise in employment over the past year, with all five recording a rise in employment of 2% or more.

Driving the weak overall figure is the Auckland region, with employment falling by 2.8%, or more than 19,000 people, over the past year. If Auckland is excluded, employment in the rest of the country actually increased by 0.9%, or 13,700 people. The fall in employment in Auckland has largely been due to job losses in manufacturing and retail trade but there has also been a large decline in the number of people employed in Auckland's finance & insurance industry.

Employment rate

Because employment growth is often driven by increases in the population, a more preferable indicator for regional comparison is often the employment rate (or employment to population ratio). The employment rate takes into account the large variance in population growth across the twelve regions.

In the year to September 2009, Southland had the highest employment rate at 70.6%, followed by Wellington at 67.5%. Canterbury, Waikato and Tasman/Nelson/Marlborough/West Coast also recorded rates above the national average of 64.7%. Northland had the lowest employment rate with only 58.4% of the working-age population in employment, followed by the Bay of Plenty at 61.1%. These two regions also have the lowest labour force participation rates. The high proportion of those aged 65 and over in these regions (who are less likely to participate in the labour force or be in employment) contributes to these low rates.

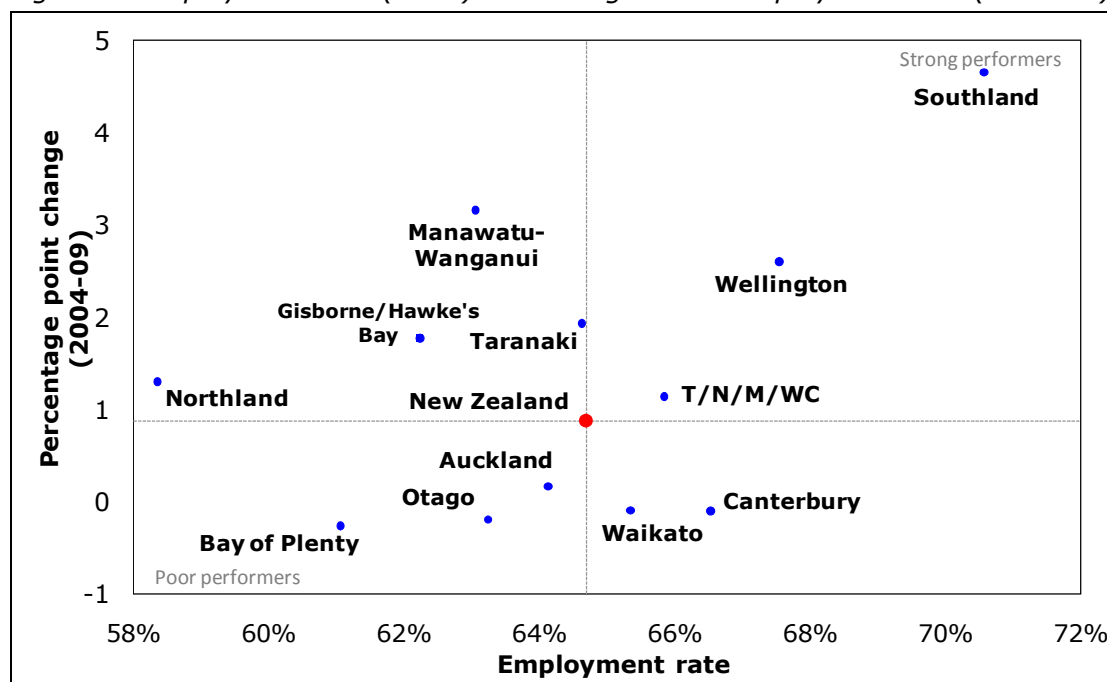
The largest increases in the employment rate over the past five years were in Southland (4.7 percentage points), Manawatu-Wanganui (3.2 percentage points) and Wellington (2.6 percentage points). The employment rate rose across eight of the twelve regional councils, with Canterbury, Otago, Bay of Plenty and Waikato all recording small declines of between 0.1 and 0.3 percentage points.

Regional differences

The difference between the lowest and highest employment rates by region has increased compared to five years ago. In the year to September 2004, there was a 9.6 percentage point difference between the highest region (Canterbury) and the lowest (Northland). In 2009, the difference between the highest (Southland) and the lowest (Northland) was 12.2 percentage points. As with many other indicators, regional differences generally reduced between 2004 and 2008 as the labour market performed strongly. However, they have since widened as the labour market has weakened over the past eighteen months.

Figure 2 shows the employment rate for the September 2009 year as well as the growth rate that each region has experienced over the 2004-2009 period. Regions in the upper right quadrant of *Figure 2* had relatively high employment rates in 2009 and experienced high growth in the employment rate between 2004 and 2009 and therefore could be considered strong performers. This includes regions such as Southland and Wellington. Regions in the lower left quadrant, such as Bay of Plenty, have experienced weak growth in the employment rate and currently have a relatively low employment rate. They should therefore be considered poorer performers. Northland, which currently has the lowest employment rate, has recorded a larger than average rise over the past year, while Canterbury and Waikato are coming off a relatively high position.

Figure 2: Employment rate (2009) and change in the employment rate (2004-09)



Source: Household Labour Force Survey, Statistics New Zealand.
 Note all data are averaged over a year to reduce sample error and seasonal variations.

Unemployment

The unemployment rate is the proportion of the labour force that is not in work, but is actively seeking and available to start work. The unemployment rate can tell us about two aspects of the job market. It can inform us about the prevalence of work (a rising unemployment rate means less work is available and/or less people are successful in finding work) but also the availability of workers (a rising unemployment rate can indicate that the pool of labour from which new jobs can be filled is getting larger).

The annual average unemployment rate in New Zealand fell from 4.3% in September 2004 to a 22-year low of 3.7% in September 2007. However, it has since risen to an 8-year high of 5.5% in the year to September 2009. Table 6 shows regional unemployment rates for the years to September 2004 and 2009 and the percentage point change in the unemployment rate over the past five years and the past year.

The unemployment rates in all South Island regions were lower than the national annual average unemployment rate of 5.5% in September 2009. Indeed, four out of the six lowest unemployment rates were in the South Island. Southland had the lowest rate (3.1%), followed by Tasman/Nelson/Marlborough/West Coast (3.4%), Taranaki (3.5%) and Otago (4.6%). Manawatu-Wanganui and Canterbury (both 4.7%) also recorded low rates. The unemployment rates in Southland and Tasman/Nelson/Marlborough/West Coast have consistently been amongst the lowest in New Zealand over the past five years.

Table 6: Unemployment rate and changes, years to September 2004-2009

	Unemployment rate		% point change (2004-09)	% point change (2008-09)
	2004	2009		
Northland	5.5%	8.3%	2.9	3.6
Auckland	4.0%	6.2%	2.2	2.0
Waikato	3.7%	5.8%	2.2	1.8
Bay of Plenty	5.5%	6.1%	0.6	1.8
Gisborne/Hawke's Bay	5.4%	7.8%	2.4	2.3
Taranaki	4.5%	3.5%	-1.0	0.4
Manawatu-Wanganui	4.2%	4.7%	0.4	0.0
Wellington	4.8%	5.1%	0.3	1.5
T/N/M/WC	2.9%	3.4%	0.5	0.3
Canterbury	3.9%	4.7%	0.8	1.8
Otago	4.4%	4.6%	0.2	1.4
Southland	3.9%	3.1%	-0.8	0.6
New Zealand	4.3%	5.5%	1.3	1.6

Source: Household Labour Force Survey, Statistics New Zealand. Note some data may not sum due to rounding. All data are averaged over a year to reduce sample error and seasonal variations.

Northland (8.3%) and Gisborne/Hawke's Bay (7.8%) had the highest unemployment rates in the year to September 2009 while Auckland (6.2%) was also above the national average. All regions in the top half of the North Island have above average unemployment rates. The unemployment rates in Gisborne/Hawke's Bay and Northland have consistently been higher than the national average over the past five years.

Due to rapidly rising unemployment over the past eighteen months, the unemployment rate fell in only two of the twelve regions between 2004 and 2009. They were Taranaki (down 1.0 percentage point) and Southland (down 0.8 percentage points). A further six regions recorded a rise of less than 1 percentage point. The largest increases occurred in Northland (up 2.9 percentage points) and Gisborne/Hawke's Bay (up 2.4 percentage points). This was due to these two regions experiencing a strong rise in the unemployment rate over the past year as labour market conditions eased.

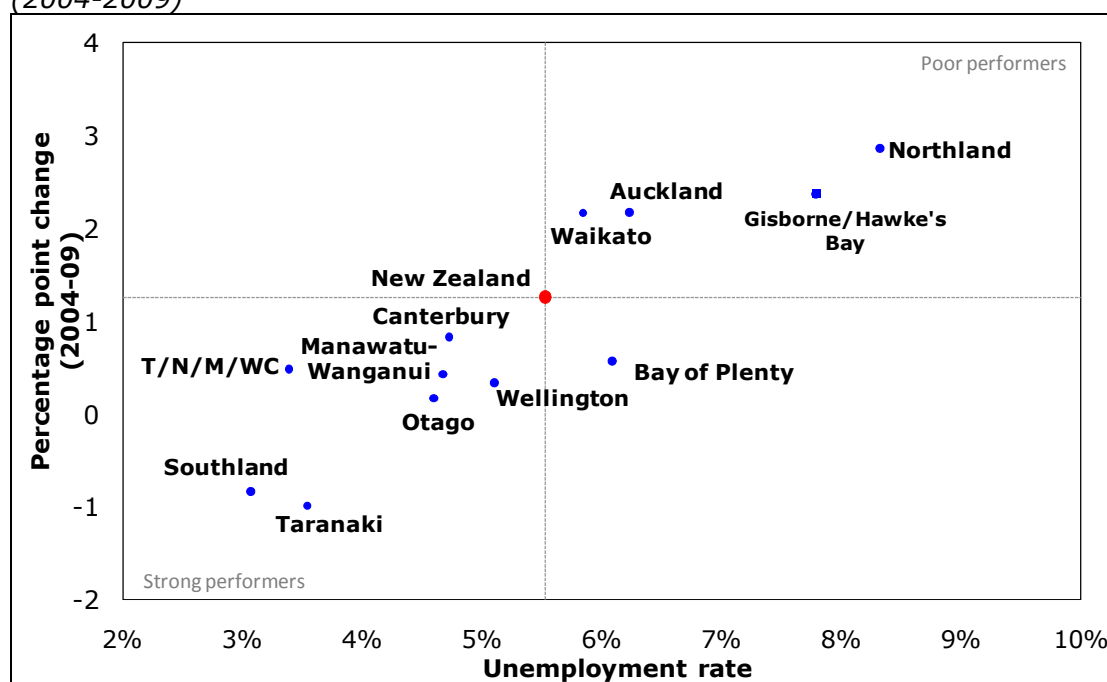
Over the past year, as the labour market has softened, the annual average unemployment rate has risen by 1.6 percentage points from 3.9% in September 2008 to 5.5% in September 2009. Northland has been particularly affected with the unemployment rate rising from 4.7% to 8.3%. Gisborne/Hawke's Bay (5.5% to 7.8%) and Auckland (4.3% to 6.2%) have also recorded large rises in the unemployment rate. The unemployment rate is expected to continue rising over the short-term, peaking at around 7% in mid-2010.

Regional variances

The large rise in the unemployment rate for Northern regions over the past eighteen months means regional variances in the unemployment rate have increased compared to five years ago. In the year ended September 2004, the difference between the highest and the lowest unemployment rate was 2.6 percentage points. This fell to 2.3 percentage points in September 2007 before rising to 5.3 percentage points in September 2009.

Regions to the left of New Zealand in *Figure 3* had lower unemployment rates than the national average in the year to September 2009 while regions below New Zealand had a greater percentage point fall in the unemployment rate than the national average between 2004 and 2009. Regions in the lower left quadrant should therefore be considered strong performers. These “strong performers” include regions such as Taranaki and Southland. Gisborne/Hawke’s Bay and Northland should be considered poor performers. It is interesting to note that Otago is a poorer performer for the employment rate and the labour force participation rate but a strong performer for the unemployment rate. This indicates that while people in Otago are less likely to participate in the labour force than other regions (which may be due to the high proportion of students in the region who are classified as not in the labour force) they are more likely to find a job if they do look for work.

Figure 3: Unemployment rate (2009) and change in the unemployment rate (2004-2009)



Source: Household Labour Force Survey, Statistics New Zealand.
 Note all data are averaged over a year to reduce sample error and seasonal variations.

Earnings

Earnings can reflect both labour market conditions and the productivity of workers. Wages are determined by the composition of jobs in the economy and are an indication of the relative productivity of workers. Low skilled jobs generally have low median earnings while high skilled jobs generally have high median earnings. Strong growth in earnings can also occur in periods of low unemployment as employers tend to be more willing to increase wages to attract and retain workers.

The annual New Zealand Income Survey, which is run as a supplement to the June quarter Household Labour Force Survey, is used to measure earnings in this report. Due to data availability, median weekly earnings rather than median hourly earnings have been used. Differences in the number of hours worked by region therefore may slightly affect the results. All data refers to those in paid

employment, rather than all those aged 15+, so different employment rates between the regions will not affect the comparison of earnings.

Nationally, median weekly earnings for those in paid employment were \$756 in 2009. This is up 3.7% from \$729 in 2008 and 23.1% from \$614 in 2004. On an annual average basis, median weekly earnings have increased by 4.2% per annum since 2004. After adjusting for inflation, median weekly earnings for those in paid employment have increased by 6.5% between 2004 and 2009, or by an average of 1.3% per annum. This is broadly similar to growth of around 1% in labour productivity.

Table 7: Median weekly earnings for those in paid employment, 2004-2009

	Median Weekly Earnings		Annual average % change (2004-09)
	2004	2009	
Northland	\$532	\$700	5.6%
Auckland	\$671	\$786	3.2%
Waikato	\$614	\$720	3.2%
Bay of Plenty	\$556	\$672	3.9%
Gisborne/Hawke's Bay	\$560	\$720	5.2%
Taranaki	\$575	\$750	5.5%
Manawatu-Wanganui	\$595	\$700	3.3%
Wellington	\$671	\$806	3.7%
T/N/M/WC	\$552	\$700	4.9%
Canterbury	\$600	\$729	4.0%
Otago	\$552	\$729	5.7%
Southland	\$560	\$695	4.4%
New Zealand	\$614	\$756	4.2%

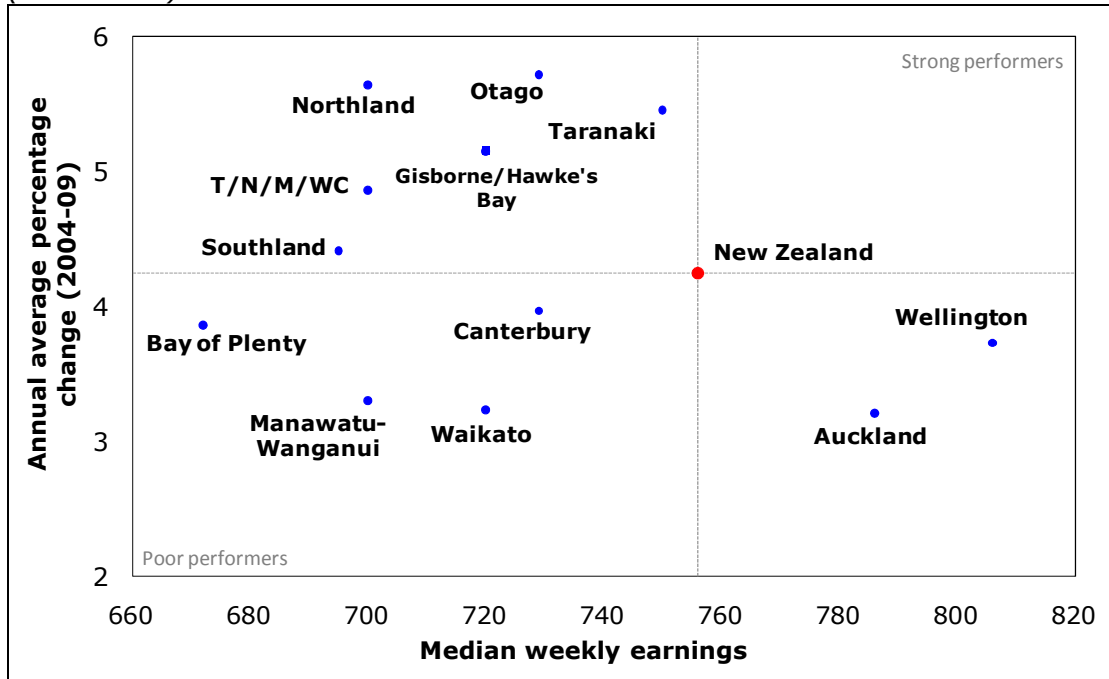
Source: New Zealand Income Survey, Statistics New Zealand. Note some data may not sum due to rounding.

Median weekly earnings for those in paid employment increased the fastest for Otago (5.7% per annum) between 2004 and 2009, followed by Northland (5.6% per annum). Auckland and Waikato had the lowest increase in median weekly earnings with an increase of only 3.2% per annum compared to 4.2% nationally.

Regional median weekly earnings in 2009 and the percentage change in median weekly earnings (2004-2009) are depicted in *Figure 4*. The horizontal axis shows median weekly earnings in 2009 while the vertical axis shows the percentage change in the median weekly earnings between 2004 and 2009.

Only two regions, Auckland and Wellington, had higher median weekly earnings than the national average in 2009. These regions have been the only regions to have median weekly earnings consistently above the national average over the past five years. One reason for this is because the economies of these two urban labour markets have a higher proportion of highly skilled (and therefore more highly paid) workers than other regions. However, while both regions have higher than average median weekly earnings, they have experienced below average growth over the past five years.

Figure 4: Median Weekly Earnings (2009) and change in median weekly earnings (2004-2009)



Source: New Zealand Income Survey, Statistics New Zealand.

Median weekly earnings were lowest in the Bay of Plenty region, as indicated by their position on the left hand side of *Figure 4*. This could be due to the region having a high proportion of employment in industries such as agriculture and retail trade, which are known for relatively low wages. It is encouraging to see however, that the three of the five regions with the lowest median weekly earnings in 2009 have experienced larger than average growth over the past five years.

Regional Performance

Examining a range of indicators is often needed to measure regional labour market performance. However, instead of monitoring different indicators individually, it can be useful to examine them as a single labour market index. This allows us to easily compare and rank a region's performance. The index used here is based on four key indicators: the unemployment rate, the labour force participation rate, the employment rate and median weekly earnings (see *Appendix II* for more details).

We have analysed regional performance over the period from 2004 to 2009, so that we can report on both their current performance and their recent growth. The results have been used to split the regions into the six groups described in this report.

1. Top Performers: Southland, Wellington and Taranaki

These regions are generally characterised by low unemployment rates, high employment and participation rates and have experienced strong growth in employment and economic activity over the past five years.

	Unemployment rate		Labour force participation rate		Employment rate		Median weekly earnings		Annual average % change economic activity (04-09)
	2004	2009	2004	2009	2004	2009	2004	2009	
Southland	3.9%	3.1%	68.6%	72.9%	65.9%	70.6%	\$560	\$695	1.6%
Wellington	4.8%	5.1%	68.2%	71.2%	64.9%	67.5%	\$671	\$806	1.4%
Taranaki	4.5%	3.5%	65.7%	67.0%	62.7%	64.6%	\$575	\$750	1.8%
New Zealand	4.3%	5.5%	66.6%	68.5%	63.8%	64.7%	\$614	\$756	1.1%

Southland has been one of the best performing regional economies over the past five years. Despite low population growth, economic activity in the region has grown by an average of 1.6% per annum, behind only West Coast, Gisborne and Taranaki. This has seen Southland's estimated GDP per capita rise to one of the highest in New Zealand. Southland has a large primary sector which has benefited strongly from the dairy-led boom in commodity prices over recent years. The region has consistently had a low unemployment rate over the past five years, and the current rate of 3.1% is the lowest among the twelve regions. This is especially remarkable given the region also has the highest labour force participation rate at 72.9%. The rise in the employment rate and participation rate in Southland was also the largest out of the twelve regions.

Wellington has some of the best labour market outcomes in New Zealand. The region not only has the second highest labour force participation rate and employment rate, but an unemployment rate below the national average. Wellington also has the highest median weekly earnings of any region. The Wellington economy has a high concentration of knowledge-intensive industries which account for 42% of all people employed in the region (the highest figure for any region)⁴. Wellington also has the most highly qualified population, which

⁴ Knowledge intensive industries have highly qualified staff working in professional, managerial or technical occupations. Further information can be found in the following report: Department of Labour (2009). "The New Zealand Knowledge Economy: A Refined Methodology and Further

generally leads to better labour market outcomes. Over the past five years, employment growth has been concentrated in service industries, particularly property & business services, government administration and health & community services. The 0.3 percentage point rise in the unemployment rate in Wellington has been less than that recorded nationally, while the rise in the employment and participation rate has been above average.

Over the past year, the unemployment rate has risen by slightly less than the national average and employment has continued to grow strongly, largely as a result of gains in property & business services and health & community services.

Taranaki has been the joint-second fastest growing region in terms of economic activity over the past five years. On the back of robust growth in the oil, gas and dairy sectors as well as high population growth, the region has grown by an average of 1.8% per annum, above the national rate of 1.1% per annum. As a result of this strong economic growth, the Taranaki labour market has improved. The unemployment rate has fallen by more than any other region and at 3.5% it is currently the third lowest unemployment rate. Median weekly earnings have increased strongly by 5.5% per annum over the past five years, the third strongest growth rate of any region.

Employment growth of 2.1% per annum over the past five years has been above the national average and has been driven by increases in employment in construction, manufacturing and property & business services. Strong employment growth has helped the employment rate in Taranaki increase by more than double that recorded nationally. However, the labour force participation rate increased by slightly less than average and both the labour force participation rate and employment rate remain below the national average.

Taranaki suffered quite badly during the recession with economic activity falling by more than average. As a result the participation rate decreased sharply and employment fell by 4.1% over the past year.

2. Good outcomes but weak growth: Canterbury

This region's labour market is placed among the best performers (i.e. low unemployment, high participation and employment rate) but growth in the key indicators has been below average over recent years.

	Unemployment rate		Labour force participation rate		Employment rate		Median weekly earnings		Annual average % change economic activity (04-09)
	2004	2009	2004	2009	2004	2009	2004	2009	
Canterbury	3.9%	4.7%	69.3%	69.8%	66.6%	66.5%	\$600	\$729	1.5%
New Zealand	4.3%	5.5%	66.6%	68.5%	63.8%	64.7%	\$614	\$756	1.1%

Economic activity in the **Canterbury** region has been above average over the past five years on the back of robust population growth. Economic activity rose by an average of 1.5% per annum and employment grew at a rate of 2.1% per annum between 2004 and 2009. Employment growth has been driven by large increases in wholesale & retail trade, construction and health & community

services. Also of note is the strong employment growth in agriculture in the region which contrasts with a fall in employment nationally.

However, while Canterbury has above average participation and employment rates, the change in these indicators has been below average. The Canterbury employment rate has fallen while the participation rate has risen only slightly. Growth in median weekly earnings has also been slightly below average. Over the past year, employment in Canterbury has fallen with the unemployment rate rising from 2.9% to 4.7%.

3. Average outcomes and average growth: Tasman/Nelson/Marlborough/West Coast and Otago

These two regions' labour markets place them among the average performers and they have experienced modest changes in these indicators over the past five years.

	Unemployment rate		Labour force participation rate		Employment rate		Median weekly earnings		Annual average % change economic activity (04-09)
	2004	2009	2004	2009	2004	2009	2004	2009	
T/N/M/WC	2.9%	3.4%	66.6%	68.1%	64.7%	65.8%	\$552	\$700	-.5
Otago	4.4%	4.6%	66.4%	66.3%	63.4%	63.2%	\$552	\$729	1.2%
New Zealand	4.3%	5.5%	66.6%	68.5%	63.8%	64.7%	\$614	\$756	1.1%

The **Tasman/Nelson/Marlborough/West Coast** region has performed relatively well over the past five years. Economic activity in the region has been above average, and has been particularly strong in the West Coast, rising by an average of 1.9% per annum over the past five years.

Tasman/Nelson/Marlborough/West Coast have a labour force participation rate slightly below the national average but an above average employment rate. The unemployment rate is the second lowest nationally at 3.4%. The unemployment rate in Tasman/Nelson/Marlborough/West Coast has consistently remained below the national average over the past five years. There is likely to be a degree of variability across Tasman/Nelson/Marlborough/West Coast given it is an aggregation of four regions, so results should be treated with caution. For example, the 2006 Census showed Tasman had a lower unemployment rate and a higher participation and employment rate than Nelson.

The **Otago** economy has grown by slightly more than the national average over the past five years on the back of a high-performing primary sector and increased activity in industries such as construction, tourism and education. Growth above the national average is an even bigger achievement given there has been a fall in the working-age population in Otago over this period. The unemployment rate is similar to what it was five years ago and at 4.6% it is below the national rate. Growth in median weekly earnings has been the highest of any region.

However, Otago has seen both its employment rate and labour force participation rate fall slightly over the past five years. Furthermore, both indicators remain

⁵ The National Bank's composite index of economic activity reports trends for the Nelson-Marlborough and West Coast regions separately. Over the past five years, the Nelson-Marlborough region has recorded average growth in economic activity of 1.2% per annum while the West Coast region has recorded growth of 1.9% per annum.

below the national average, and are the weakest of any region in the South Island. This may be due to the region having a very high proportion of youth, with many students attending Otago University and other tertiary institutions, and an above average proportion of its population aged 65 and over. As both of these groups are less likely to participate in the labour force, this will drag down the overall employment and participation rates.

4. Average outcomes but weak growth: Auckland and Waikato

These regions' labour markets place them among the average performers. However, these two regions have experienced the weakest growth over the past five years in the key indicators examined.

	Unemployment rate		Labour force participation rate		Employment rate		Median weekly earnings		Annual average % change economic activity (04-09)
	2004	2009	2004	2009	2004	2009	2004	2009	
Auckland	4.0%	6.2%	66.7%	68.4%	64.0%	64.1%	\$671	\$786	0.6%
Waikato	3.7%	5.8%	67.9%	69.4%	65.4%	65.3%	\$614	\$720	1.3%
New Zealand	4.3%	5.5%	66.6%	68.5%	63.8%	64.7%	\$614	\$756	1.1%

The **Auckland** economy, which accounts for about one-third of New Zealand's GDP, has performed relatively poorly over the past five years. Economic activity in the region has grown by an average of only 0.6% per annum, the second lowest growth rate of any region. Weak economic growth has ensured employment growth has been slightly below the national average at 1.5% per annum. Growth in employment has been due to increases in property & business services, health & community services and hospitality. This was offset by a large decline in manufacturing employment.

The labour force participation rate in Auckland is similar to the national rate and the growth in this indicator has also been similar to the national average. The employment rate, however, currently sits below the national average and has increased only slightly compared to five years ago. While Auckland has above average median weekly earnings, growth in earnings has been the weakest of any region.

Auckland has led the downturn in the labour market over the past year. Employment fell by 2.8%, or 19,100 people, in the year to September 2009, driven by job losses in manufacturing, retail trade and finance & insurance services. This has seen its unemployment rate rise from 4.3% to 6.2% in the year to September 2009.

The **Waikato** economy has performed relatively well over the past five years with growth in economic activity slightly above average at 1.3%. The region's large dairy sector has benefited from high commodity prices while many service industries have grown strongly on the back of robust population growth. Employment grew by an average of 3.3% per annum between 2004 and 2009, the strongest growth rate of any region. This has been driven by employment gains in construction and service based industries such as property & business services, health & community services and retail trade.

However, Waikato's employment rate has fallen and its participation rate has increased by slightly less than the national average. Growth in median weekly earnings has also been weak. Furthermore, between 2004 and 2009, Waikato's unemployment rate rose strongly, due largely to a sharp rise over the past year.

Economic activity fell sharply in Waikato during the recession and despite a 2.1% rise in the September 2009 quarter, employment has fallen by 1.9% over the past year causing unemployment to rise strongly.

5. Weak outcomes but encouraging growth: Manawatu-Wanganui, Gisborne/Hawke's Bay, Northland

The following regions are interesting in that while the state (or level) of their labour market is poor, these regions are generally experiencing above average growth and therefore a reduction in the disparities of labour market outcomes.

	Unemployment rate		Labour force participation rate		Employment rate		Median weekly earnings		Annual average % change economic activity (04-09)
	2004	2009	2004	2009	2004	2009	2004	2009	
Manawatu-Wanganui	4.2%	4.7%	62.6%	66.2%	59.9%	63.1%	\$595	\$700	1.3%
Gisborne/Hawke's Bay	5.4%	7.8%	63.9%	67.5%	60.5%	62.2%	\$560	\$720	-.6
Northland	5.5%	8.3%	60.4%	63.6%	57.1%	58.4%	\$532	\$700	0.5%
New Zealand	4.3%	5.5%	66.6%	68.5%	63.8%	64.7%	\$614	\$756	1.1%

Manawatu-Wanganui has a relatively low labour force participation rate and employment rate, but both rates increased strongly between 2004 and 2009. The Manawatu-Wanganui economy has grown by 1.3% per annum over the past five years, which is also slightly above the national average and impressive considering there was no growth in the working-age population over this period. Employment growth in Manawatu-Wanganui was relatively low at 1.1% per annum over the past five years, again largely as a result of no population growth. Strong employment growth in health & community services and education was offset by job losses in agriculture and manufacturing. The unemployment rate in the region has risen by less than that nationally while the rise in both the participation rate and employment rate was the second largest of any region.

Gisborne/Hawke's Bay currently has the second highest unemployment rate and one of the lowest employment rates of the twelve regions. The participation rate is also below average. However, Gisborne/Hawke's Bay has experienced increases of around double the national average in both its employment and its labour force participation rate over the past five years. Growth in median weekly earnings has also been strong. However, its unemployment rate has risen from 5.4% to 7.8%.

There is likely to be a degree of variability across the region with Gisborne generally having higher unemployment rates and lower participation rates than Hawke's Bay. However, over the past five years, economic activity in Gisborne

⁶ The National Bank's composite index of economic activity reports trends for the Gisborne and Hawke's Bay regions separately. Over the past five years, the Hawke's Bay region has recorded average growth in economic activity of 0.8% per annum while the Gisborne region has recorded growth of 1.8% per annum.

has grown strongly by an average of 1.8% per annum. This is well above the economy wide average and the growth rate recorded for Hawke’s Bay (0.8% per annum). Over the past year, the downturn has affected Gisborne/Hawke’s Bay, with the unemployment rate rising from 5.5% to 7.8%. Only Northland has experienced a larger rise.

Northland has the lowest labour force participation rate and employment rate and the highest unemployment rate of any region. Nevertheless, in many indicators Northland has improved strongly over the past five years with both the participation rate and employment rate increasing by more than average. In addition, median weekly earnings have increased strongly, rising by 5.6% per annum compared to 4.2% nationally. The improvements in many of the indicators would have been even larger had it not been for recent easing in the labour market. Employment in Northland fell by 0.7% over the past year, which helped the unemployment rate rise from 4.7% to 8.3%.

6. Below average outcomes and below average growth: Bay of Plenty

Bay of Plenty has below average outcomes (ie high unemployment, low employment and participation rate and low median weekly earnings) and has also experienced below average growth in these indicators.

	Unemployment rate		Labour force participation rate		Employment rate		Median weekly earnings		Annual average % change economic activity (04-09)
	2004	2009	2004	2009	2004	2009	2004	2009	
Bay of Plenty	5.5%	6.1%	64.9%	65.0%	61.3%	61.1%	\$556	\$672	1.0%
New Zealand	4.3%	5.5%	66.6%	68.5%	63.8%	64.7%	\$614	\$756	1.1%

Bay of Plenty has the second lowest employment rate and the second lowest labour force participation rate, better only than Northland. It also has the lowest median weekly earnings of any region. The region has experienced only modest employment growth of 0.7% per annum over the past five years, well below the national average. Employment growth in wholesale & retail trade and health & community services has been offset by declines in agriculture and manufacturing.

While indicators for Bay of Plenty have generally improved over recent years, the improvements have been below that recorded nationally. Its employment rate has fallen compared to five years ago and the labour force participation rate has increased by only 0.1 percentage point. Growth in median weekly earnings has also been weak.

As shown by 2006 Population Census statistics, the economies of Western, Central and Eastern Bay of Plenty are substantially different. In general, the 2006 Census showed better results in the west than in the east. Over the past year, Bay of Plenty has withstood the recession relatively well with employment growing strongly. The unemployment rate has risen from 4.3% to 6.1%, similar to that experienced nationally.

Conclusion

Almost regardless of what indicator is used, Southland has been the stand out performer over the past five years. It was ranked highly both on its current labour market outcomes and on the improvement in these indicators over the past five years. Wellington was also a strong performer. These regions not only have a high proportion of the working-age population participating in the labour force but also a low proportion of people unemployed.

Taranaki was another region that also ranked above average on current labour market indicators and had performed strongly over the past five years. Canterbury, on the other hand, while scoring highly on current labour market indicators, was in the bottom half of regions when examining the change in these indicators. This is likely to be due to its strong starting position.

Tasman/Nelson/Marlborough/West Coast and Otago have performed similarly to New Zealand as a whole over the past five years, both on current labour market indicators and on the changes in these indicators over the past five years.

Auckland and Waikato also scored similar to the national average when examining current labour market indicators. However, both these regions have experienced weak growth in these indicators over the past five years.

Northland, Bay of Plenty, Manawatu-Wanganui and Gisborne/Hawke's Bay were ranked the lowest on the key labour market indicators examined. People in these regions are not only less likely to participate in the labour force but are also, in general, less likely to find a job if they do. There are some common factors amongst these four regions. They are relatively rural regions with large primary sectors and a higher than average proportion of low skilled jobs. They also have a large proportion of people aged over 65 years and a population with fewer qualifications than average.

Nevertheless, with the exception of perhaps Bay of Plenty, a strong message from this analysis is the improvement in results in these regions over the past five years. This was particularly true for the 2004 to 2008 period as the labour market performed strongly. As a result, they have generally "caught up" with the rest of New Zealand. Of concern however, is that the downturn in the labour market over the past eighteen months has particularly affected regions that have below average labour market outcomes, such as Northland and Gisborne/Hawke's Bay. The unemployment rate in these two regions has spiked sharply over the past year. There is a risk that the current downturn causes regional differences and inequalities to increase and reverses the gains achieved over the prior four years.

As the labour market has eased over the past year, northern regions appear to have been the most affected. Northland's unemployment rate has risen from 4.7% to 8.3% while Gisborne/Hawke's Bay, Bay of Plenty, Waikato and Auckland have all experienced larger than average increases in the unemployment rate. The slowdown in employment over the past year has been driven by the Auckland region where employment has fallen by 2.8%, or more than 19,000 people, due to employment declines in manufacturing, retail trade and finance & insurance.

Appendix I: Terms and Definitions

The following is a list of the main terms that we use to describe the labour market, together with definitions of these terms.

Working-age population: usually resident non-institutionalised civilian population aged 15 years and over.

Labour force: number of people who are either in work or are available and actively seeking work (that is, employed or unemployed as defined below).

Employment: number of people in work of one hour or more per week.

Unemployment: number of people who are not in work, but who are available for and actively seeking work.

Not in the labour force: number of people who are not in work and are either not available or not actively seeking work (that is, they are not employed and not unemployed).

Labour force participation rate: proportion of the working-age population that is in the labour force.

Unemployment rate: proportion of the labour force that is unemployed.

Employment rate: proportion of the working-age population that is employed.

Appendix II: Labour Market Index

The labour market index used in this report is based upon four indicators: the reverse unemployment rate, the labour force participation rate, the employment rate and median weekly earnings. Each component of the index was calculated according to the following formula:

$$\text{Index} = \frac{\text{actual value of indicator} - \text{mean of indicator}}{\text{standard deviation of indicator}}$$

For example, the employment rate for Waikato is 65.3% and this part of the index would be calculated as below:

$$= \frac{65.3 - 64.7}{3.2}$$

$$= 0.2$$

The results for each indicator were then summed together for each region into a single measure with each indicator in the index given an equal weight. The twelve regions were then ranked based on these results. With an index such as the one used below, it is the relative rankings rather than the absolute value of the index which is important. The results are presented below and are broken down into three groups - "high", "medium" and "low".

Labour Market Index

	Labour market index based on levels	Labour market index based on change
Southland	High	High
Wellington	High	High
Taranaki	High	High
Canterbury	High	Low
T/N/M/WC	Medium	Medium
Otago	Medium	Medium
Auckland	Medium	Low
Waikato	Medium	Low
Manawatu-Wanganui	Low	High
Gisborne/Hawke's Bay	Low	Medium
Northland	Low	Medium
Bay of Plenty	Low	Low

Source: Department of Labour.



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