

# Earnings concerns growing

## Westpac McDermott Miller Employment Confidence Index, September 2015

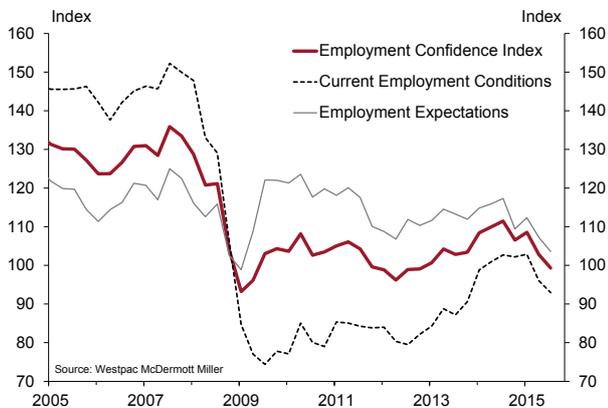
- New Zealanders have become increasingly concerned about the state of the labour market.
- Weakness in earnings growth is a key concern. The number of workers who expect a pay increase over the coming year has dropped to its lowest level since the survey began in 2004.
- Workers are also increasingly nervous about their employment prospects.

New Zealanders' confidence in the labour market has continued to slide, with the Westpac McDermott Miller Employment Confidence Index dropping to 99.3 in the September quarter. That's the lowest level since 2012.

The main concern for workers continues to be the weakness in earnings growth. Among respondents to the Employment Confidence Survey, the proportion of workers who received a pay increase over the past year has fallen to its lowest level since 2010. And even for those workers who have received wage increases, the extent of these increases has been pretty modest. According to the private sector Labour Cost Index, wage rates only rose by 1.8% in the year to June, which isn't much above the lows reached during the Global Financial Crisis.

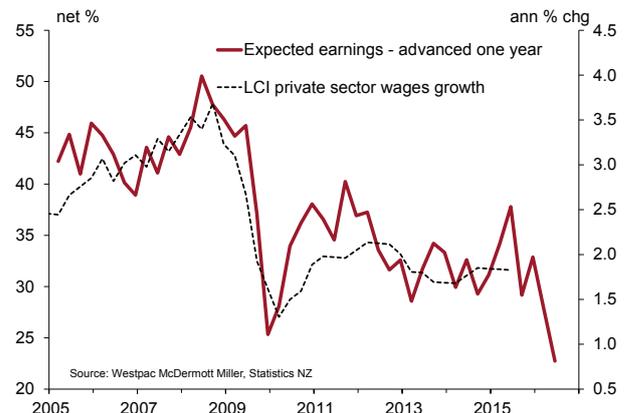
Workers aren't expecting things to get much better anytime soon either. In fact, the proportion of respondents expecting a wage increase over the coming year is at its lowest level since the survey began in 2004. This is a particular concern for younger workers (those aged 18 to 29) and those earning less than \$30,000 a year.

**Employment confidence index**



	Jun-15	Sep-15	Change
<b>Employment Confidence Index</b>	<b>102.8</b>	<b>99.3</b>	<b>-3.5</b>
<b>Present Conditions Index</b>	<b>96.1</b>	<b>92.9</b>	<b>-3.1</b>
<b>Employment Expectations Index</b>	<b>107.3</b>	<b>103.6</b>	<b>-3.7</b>
Current job opportunities	-28.5	-33.5	-5.1
Expected job opportunities	-13.3	-19.9	-6.6
Past earnings growth	20.6	19.4	-1.2
Expected earnings growth	27.8	22.7	-5.0
Own job security	7.4	7.9	0.5

**Expected earnings and wage inflation**



Over the past year, softness in earnings growth was less of a concern. That's because low consumer price inflation meant workers' spending power was still growing at a solid pace despite low wage inflation. But over the coming months, the fall in the New Zealand dollar will push up the prices for a range of imported goods. This will mean wages won't stretch as far as they have in recent years. On top of this, a likely slowing in economic growth means that wage inflation is likely to remain pretty modest.

Workers have continued to highlight low levels of job security, particularly those on lower incomes. In addition, workers have noted increased concern about the current availability of jobs, and that they expect jobs to remain scarce over the coming year. These measures have tended to have a close relationship with the unemployment rate, and suggest that we're unlikely to see a significant improvement in unemployment in the near term.

It's not hard to see why workers are feeling nervous. Over the past few months we've seen some worrying news on the international front, accompanied by increased volatility in financial markets. At home, concern around earnings in the dairy sector has been front of brain. These conditions have already seen businesses scaling back their hiring intentions.

### Reported job opportunities and unemployment



Employment confidence was down across all age groups. However, it has been particularly weak among older workers. Those workers aged 50 plus have noted very low levels of job security. They have also reported that their earnings growth has been limited.

Employment confidence is highest in those households earning more than \$70,000 per year. But even among these households, there is growing concern around job opportunities.

## Regional breakdown

Employment confidence fell in most regions in September, with particularly large declines in the Bay of Plenty, Gisborne/Hawke's Bay, and Southland. Workers in these regions have highlighted concerns around both job security and earnings growth over the coming year.

September also saw labour market confidence falling sharply in Auckland, with growing concern around job opportunities over the coming year. Nevertheless, workers in Auckland are still more upbeat than in most other parts of the economy.

The region with the lowest labour market confidence remains Northland, where workers have highlighted very low levels of job security. Northland has a fair amount of dairying and forestry, and both of these industries are facing significant challenges at the moment.

Labour market confidence is strongest in Canterbury, where there was a surprising pick up in earnings expectations. Economic activity in Canterbury has increased strongly in recent years as reconstruction activity ramped up. Reconstruction work is now levelling off, but there is still a large amount of work to go, and activity in the region is expected to remain strong for some time.

### Employment confidence by region

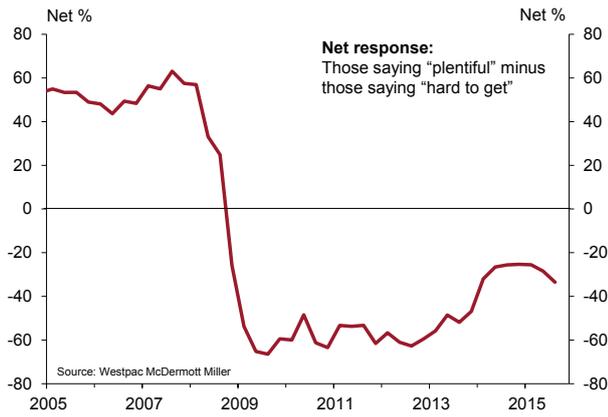
Region	Jun-15	Sep-15	Change
Northland	90.2	91.6	1.4
Auckland	107.8	100.7	-7.1
Waikato	96.9	96.0	-0.8
Bay of Plenty	106.3	96.6	-9.7
Gisborne/Hawkes Bay	101.3	91.9	-9.4
Taranaki/Manawatu/Whanganui	99.7	95.9	-3.8
Wellington	96.5	98.6	2.1
Nelson/Marlborough/Westland	99.4	100.3	0.9
Canterbury	106.3	108.5	2.3
Otago	98.4	95.3	-3.1
Southland	106.2	96.6	-9.6

## Survey description

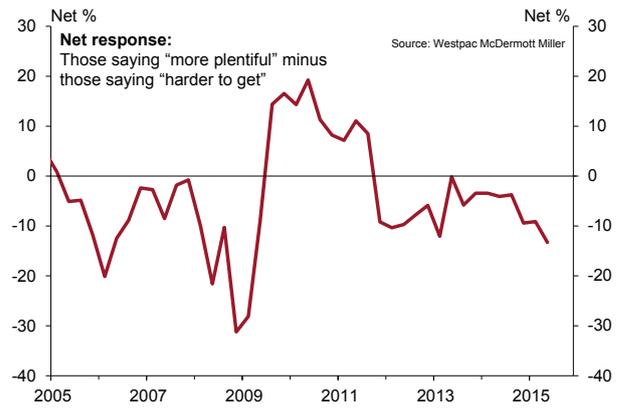
The Westpac McDermott Miller Employment Confidence Index summarises responses to five questions: households' perceptions of current and future job opportunities in New Zealand, their own actual and expected earnings, and expected changes in their own job security. The questions about current job opportunities and earnings are summarised in the Current Employment Conditions Index, while the questions about the year ahead are summarised in the Employment Expectations Index. The survey took place over the period 1 - 11 September. The sample size was 1550.

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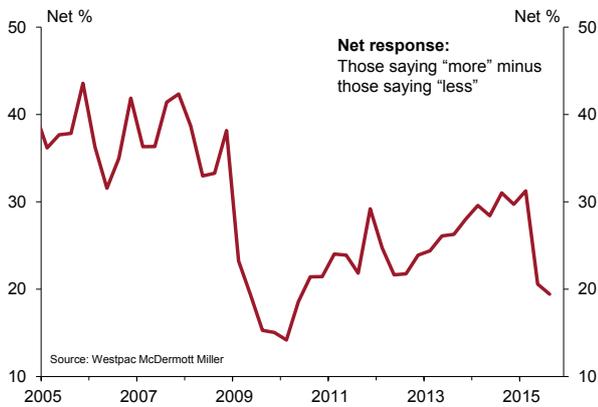
### Do you think jobs are plentiful or hard to get in NZ?



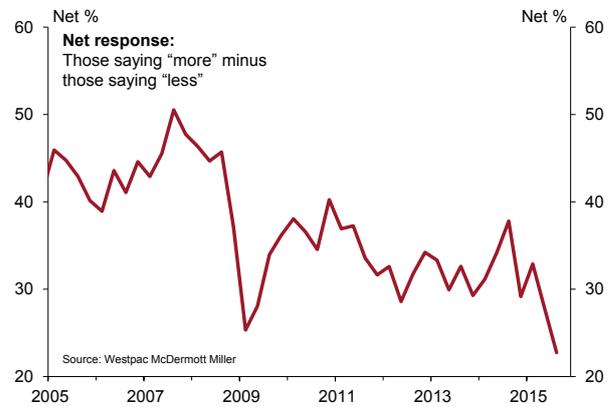
### Job opportunities in NZ in a year's time



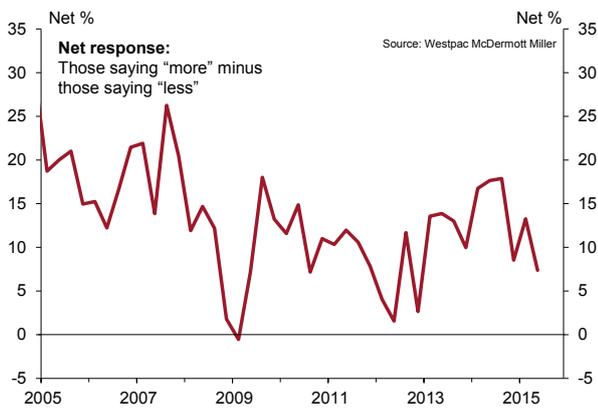
### Earnings in paid work compared to last year



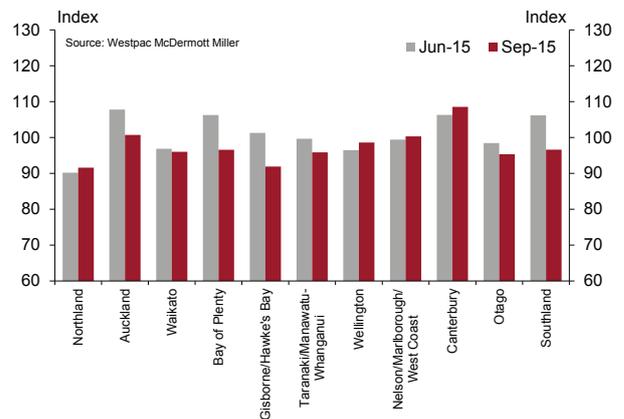
### Earnings in paid work this time next year



### Personal job security over the coming year



### Employment confidence by region



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