

Westpac McDermott Miller Employment Confidence.

23 June 2020



Employment Confidence Index fell 12.9 points to 87.3 in June.

- Employment confidence fell sharply in the June quarter, in the wake of the Covid-19 outbreak and the subsequent lockdown.
- Perceptions about current job opportunities and job security have plunged.
- Earnings growth has slowed sharply. This fits with reports that many firms have reduced pay and hours for employees.

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Employment confidence indices

	Jun-20	Mar-20	Change
Employment Confidence Index	87.3	100.2	-12.9
Present Conditions Index	74.3	97.5	-23.2
Employment Expectations Index	96.0	101.9	-5.9
Current job opportunities	-52.6	-21.3	-31.3
Expected job opportunities	-16.8	-26.2	9.4
Past earnings growth	1.2	16.4	-15.2
Expected earnings growth	19.5	29.9	-10.4
Own job security	-14.8	2.1	-16.9

New Zealanders' confidence about the state of the labour market was hit hard in the wake of the Covid-19 lockdown. The Westpac-McDermott Miller employment confidence index fell to 87.3 in June, down almost 13 points compared to March.

Strictly speaking this was the lowest reading since the survey began in 2004. However, we'd be cautious about making historical comparisons, as a switch to online-based surveying last year appears to have changed the mix of respondents, and hence affected the balance of responses to some questions.

We know that the Covid-19 pandemic, and in particular the economic impact of the lockdown, will have a major impact on the labour market for some time to come. However, the data on this so far is patchy. This survey helps to confirm some of the anecdotal evidence, and highlights that the effects of the crisis have been felt widely.

The biggest hit to the survey came from people's perceptions about current job opportunities. That was slightly offset by a lift in perceptions of future opportunities, which were less pessimistic than they were in March. That fits with the patterns we've seen in online job advertisements. Hiring



understandably plunged during the Level 4 lockdown, with advertisements down about 75% on the same time last year. The trend has improved as the country has moved down the alert levels, though currently they're still running about 20% below last year.

Workers are more downbeat about their earnings prospects. In fact, the balance of workers reporting a rise in their past earnings fell to its lowest on record. This fits with some survey evidence that, in terms of businesses' response to the crisis, pay cuts and/or reduced hours have played at least as much of a role as layoffs. The Government's wage subsidy scheme is likely to have played a major role here, allowing employers to keep workers on at reduced pay during the lockdown.

Not surprisingly, workers' perceptions about their job security also fell sharply. For many workers it's not clear what will happen as the wage subsidy scheme expires over the coming months.

The survey results were fairly consistent across gender, age and income brackets. The Covid-19 crisis is unlike a typical recession in some ways, reaching into areas that might not normally be all that sensitive to the economic cycle.

Employment confidence indices by region

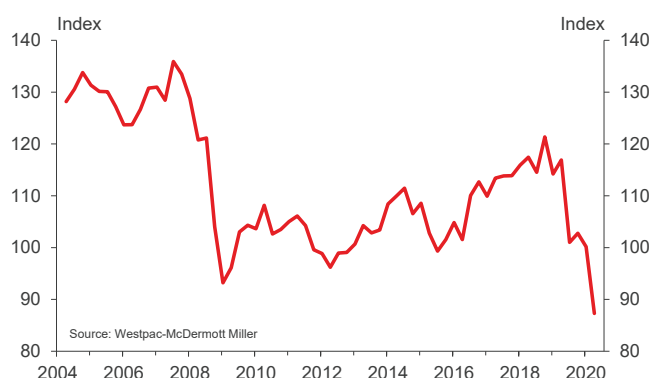
	Jun-20	Mar-20	Change
Northland	90.8	89.2	1.6
Auckland	80.7	98.4	-17.7
Waikato	89.5	99.8	-10.3
Bay of Plenty	94.1	107.3	-13.2
Gisborne/Hawke's Bay	103.2	100.2	3.0
Taranaki/Manawatu-Whanganui	83.5	104.6	-21.1
Wellington	88.3	99.3	-11.0
Nelson/Marlborough/West Coast	85.5	99.8	-14.3
Canterbury	86.2	100.5	-14.3
Otago	87.5	94.2	-6.7
Southland	93.3	101.1	-7.8

Employment confidence was down across most regions, with Auckland now the most downbeat region. Northland and Gisborne/Hawke's Bay saw a small rise in confidence, mostly relating to past earnings. Note that both regions are relatively big on forestry, which suffered a hit earlier in the year as China went into lockdown, but we have since seen forestry employment pick up again.

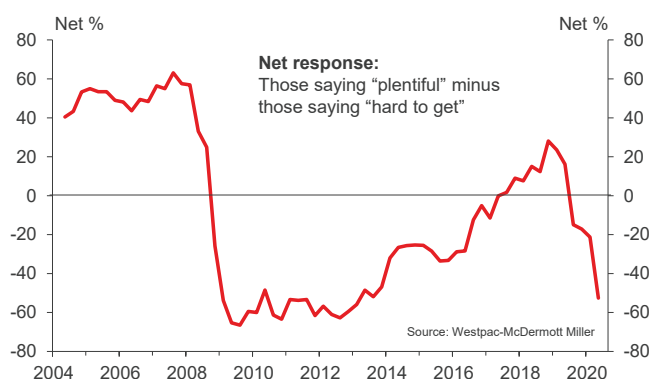
Survey detail.

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 1-10 June 2020. The sample size was 1,556.

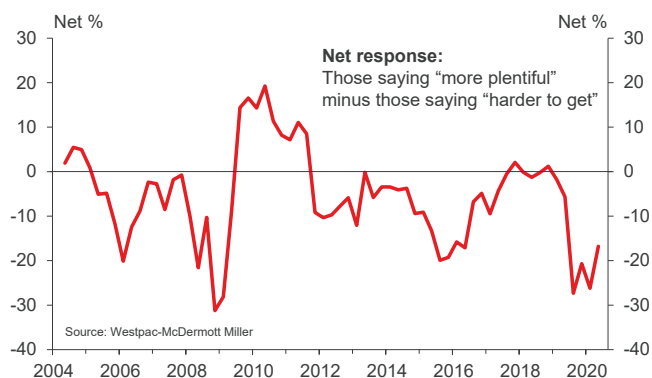
Employment Confidence Index



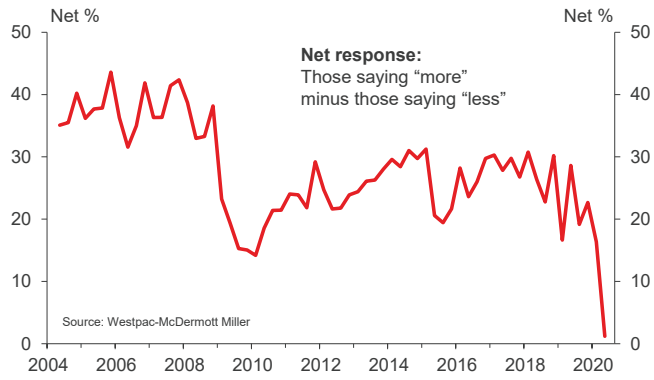
Do you think jobs are plentiful or hard to get in NZ?



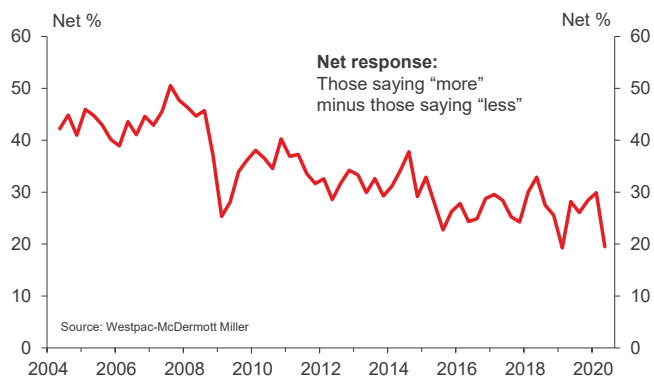
Job opportunities in NZ in a year's time



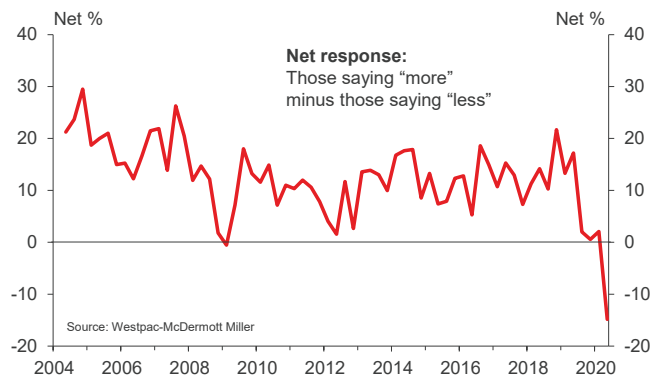
Earnings in paid work compared to last year



Earnings in paid work this time next year



Personal job security over the coming year



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