

Programmed Quarterly Labour Market Insights

OCT 2021 REPORT



KEY TAKEAWAYS



The COVID delta strain brought an end to the five-month run of record-breaking job ad numbers across the country



12% drop in job ads from July to August



Unemployment rate dropped sharply to 4.0% in the June quarter, equalling the lowest level since 2008



Swings in business cycles that normally span years are being compressed into months



SEEK's employment report shows stark decline in job ads across the country between July-August



Long-term employment outlook shows need for approx. 47,000 more workers each year to 2026

“There’s no denying New Zealand’s labour market has been impacted over the past 18 months. We have analysed the data available to provide greater clarity on the status of New Zealand jobs and trends and while the impacts of COVID and related lockdowns have again challenged New Zealand industry in 2021, importantly there is cause for optimism in 2022.”

Nic Fairbank, CEO
Programmed Skilled Workforce, Training Services
and PERSOLKELLY ANZ

Volatility becomes the norm as jobs market swings

The re-imposition of lockdowns led to a sharp drop in job advertisements across New Zealand during August.

The emergence of the COVID delta strain brought an end to the five-month run of record-breaking job ad numbers across the country, as shown in the latest SEEK employment report.

There was a 12% drop in job ads from July to August, however despite the fall, job ads were still up 11% compared to a year earlier.

It has been a tumultuous time for employment, with all regions and all sectors feeling the impact of rapid swings in business activity and recruitment.

For the past few months, it has become harder for employers to find the skilled people needed.

The unemployment rate dropped sharply to 4.0% in the June quarter (down from 4.6% in the March quarter), equalling the lowest level since 2008. There was also a record decline of 12.4% or 17,000 people who were unemployed.

Not surprisingly, employers faced growing difficulty recruiting, and surveys show that labour shortages were a significant constraint on business expansion.

Another sign of the tightening labour market is the increase in labour costs. Private sector wages were up 0.9% in the June quarter and 2.2% over the year. Average hourly earnings were also up 4.5% year-on-year.

This is not 'normal'

What's important to remember is just how extraordinary all of this is.

Everyone recalls the catastrophic drop in jobs when the pandemic first hit in early 2020. But what was equally surprising was the rapid pace of recovery as businesses resumed and employees who had been laid off were re-engaged.

In fact, the pace of the economic recovery during 2021 quickened to the point where demand for workers surged and job vacancies were well above pre-COVID levels. Closed borders added to labour market pressures as employers who would normally bring in overseas staff, especially for agricultural and seasonal work, were unable to do so.

All of this was taking place with the labour force participation rate – the percentage both working and looking for work – at a strong 70.5%. By comparison the participation rate in Australia sits around 65%.

This tells us that the New Zealand labour market, up until recently, was as tight as a drum – hard to recruit staff, little spare capacity, no net migration and wages rising as employers competed for the available talent.

Then, in August the reintroduction of alert level 4 lockdowns across the country, swung the pendulum, resulting in the big drop in job ads, discussed earlier.

This is a level of volatility that few employers will have experienced. Swings in business cycles that normally span years are being compressed into months. Businesses are being forced into sharp, often heartbreaking, decisions about staffing and continuity.

SEEK's employment report shows the stark decline in job ads across every part of the country between July and August as the lockdowns took effect.



NZ Job Ad percentage change by region (August 2021 vs July 2021)



Source: SEEK NZ Employment Report, August

The industries with the sharpest downturns were Trades & Services, down 18%; Hospitality & Tourism, down 29%; Manufacturing, Transport & Logistics, down 13%; and Retail & Consumer Services, down 18%.



The turnaround is likely to be rapid

There has been some slight easing of restrictions across the country since August, although Auckland remains on a higher level of alert. It's hard to imagine any significant economic bounce in the near term, with most of the country still in the grip of lockdown and the biggest city grappling with new COVID cases.

What provides some encouragement is the very rapid pace of recovery that flowed from the experience in 2020 once restrictions on business were lifted. This was also mirrored in Australia where the turnaround was far quicker than predicted.

Of course, with the easing of restrictions and resumption of business activity, many employers will once again have to deal with hiring difficulties, as well as rising wages, which have been forecast to peak at just above 3% annual growth in early 2022.

It's times like these that it's often worth trying to look through the volatility.

The Ministry of Business, Innovation and Employment's medium to long-term employment outlook shows the need for about 47,000 more workers each year to 2026.

The biggest contributors to employment growth will be business services (76,300), retail trade, accommodation and food services (95,000), and construction and utilities (61,300).

That looks to be the trajectory once COVID is behind us. That, will be back to normal.