

# CHiLD POVERTY ACTION GROUP

## ***The December 2012 Household Labour Force Survey: Comment***

**Donna Wynd**

**Child Poverty Action Group**

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### **Introduction**

The most recent (December 2012) Statistics New Zealand Household Labour Force Survey (HLFS)<sup>1</sup> had a headline national unemployment rate of 6.9% down 0.4% from the previous quarter (September 2012), although up 0.5% from the previous December.

The nominal improvement in the unemployment rate masks some rather more unwelcome data around labour force participation rates, especially for Māori, youth unemployment and employment for women. Each of these will be considered in this comment.

Two issues need to be borne in mind when considering New Zealand's unemployment statistics: the first is that over 100,000 of New Zealanders moved to Australia in the 2011-

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<sup>1</sup> [http://stats.govt.nz/browse\\_for\\_stats/income-and-work/employment\\_and\\_unemployment/HouseholdLabourForceSurvey\\_HOTPDdec12qtr.aspx](http://stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/HouseholdLabourForceSurvey_HOTPDdec12qtr.aspx)

2012 calendar years. But for this safety valve, the numbers of unemployed would be much greater, and there is a question about what would be the economic and social effects if for any reason this group headed back home; the second issue is New Zealand's sluggish labour market provides the backdrop to National's welfare reforms.

## **Welfare reform and the labour market**

National's welfare reforms have been conducted in the best North American tradition of stigmatisation and the politics of division – especially the division between the working and non-working poor. A key justification for welfare reform is the government's desire to make fiscal savings through cutting welfare payments.

In an article in the New Zealand Herald<sup>2</sup> Minister of Finance Bill English stated that “by far the biggest fiscal benefits” in helping the government achieve its savings targets will be from reducing the number of people receiving welfare by 28,000-44,000 between now and 2016-17. Mr English dismissed the September 2012 increase in unemployment,<sup>3</sup> arguing it was the result of the imposition of work-test requirements for most beneficiaries: “That [increased labour market participation] is in line with the same Cabinet paper which said more people actively looking for work would increase the labour force participation rate and temporarily raise the unemployment rate.”

Social Development Paula Bennett reiterated this reasoning in an interview on Nine to Noon:

“So the number has gone up because we are insisting that more people make themselves available. So whereas a year ago if asked if they were looking for work they would have said no, because of the changes we have made to the welfare system, if asked now they would be saying yes. And that is people with children aged over 5 years old, it is some of those on a Sickness benefit, so we have got different expectations of people and as a consequence that it would have bumped up the HLFS unemployment rate.”<sup>4</sup>

The following analysis examines whether the two Ministers' claims are correct.

## **Labour force participation**

According to the latest Household Labour Force Survey, the unemployment rate for the December quarter was 6.9%, a fall of 0.4% (10,000) from the previous quarter but up by 0.5% (10,000) from the previous December.

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<sup>2</sup> [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=10860601](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10860601)

<sup>3</sup> [http://stats.govt.nz/browse\\_for\\_stats/income-and-work/employment\\_and\\_unemployment/HouseholdLabourForceSurvey\\_HOTPSep12qtr.aspx](http://stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/HouseholdLabourForceSurvey_HOTPSep12qtr.aspx)

<sup>4</sup> <http://www.radionz.co.nz/national/programmes/ninetonoon/20130204>

The headline fall in unemployment is indeed welcome news. In most cases working is better for a person's mental and physical health than the stigma of being on a benefit. However, the reason the unemployment rate fell is that notwithstanding the new work tests, the labour force participation rate (LFPR) *fell* by 1.2% (33,000) from 68.4% to 67.2% in the last quarter of 2012. This is a significant turnaround – the labour force participation rate is extraordinarily stable over time, seldom shifting by more than 0.5% in any given quarter. Where the LFPR has fallen in the past, this has coincided with economic downturns, notably the early 1990s, and during the Asian currency crisis of 1997-98. The last time the LFPR was below 68% was 2005, so a fall of over 1% in a quarter is a cause for some concern and stands in direct contradiction to the government's claims.

A closer look at the data shows that 11,000 left the labour force in the Auckland region alone, and that this largely accounted for the region's headline fall in unemployment from 8.6% in September to 7.2%. The other region that recorded a large drop in labour force participation was Manawatu-Wanganui which saw a staggering 12,000 people leave the workforce. Other regions saw far fewer workers leave, so the question is why regions as diverse as Auckland and Manawatu-Wanganui recorded such big losses (although as a proportion of the population, Manawatu-Wanganui's loss far exceeded that of Auckland).

The data suggests it is not one particular age group that is leaving the workforce. Although older workers' labour market participation is falling slightly faster than that of younger workers, it is in the order of a few thousands, with the largest fall occurring in the over 64 age group (which is probably not surprising). For young people unemployment remained high but their LFPR remained reasonably consistent, although there was a reduction of 1% in the 25-29 age group, pointing to possible emerging problems for this group.

### **Ethnicity**

The data shows a significant drop in the labour market participation of Māori. Māori traditionally have a slightly lower LFPR than the population as a whole, but from September to December 2012 this slumped from 66.2% to 64.7%. The highest recent LFPR for Māori was 67.7% recorded in March 2012, suggesting that labour market participation is almost entirely independent of punitive policies being implemented in the welfare sector. The Māori rate of labour force participation generally hovers

around 66% so this latest fall, and the implied loss of earnings, should be a concern for the government if it is serious about addressing Māori disadvantage.<sup>5</sup>

Pasifika employment rates did not fall nearly so dramatically, although they tend to be more volatile, falling to 59.6% from 60% in September but down from 63.9% in December 2011. This reflects a dramatic fall in labour market participation, and as with Māori, there should be some serious concerns around labour market earnings, and in the longer term, how to re-engage people with the workforce if and when the economy recovers sufficiently to provide jobs.

### **Women – the biggest losers**

The number of people employed remained almost the same between September and December, but employment for women slumped by 11,000, with most jobs going in the primary and service sectors.

The number of hours worked by both men and women (seasonally adjusted) fell slightly, reflecting a sluggish economy – in fact the number of hours worked has been falling steadily since September 2011.

A disturbing pattern is also emerging with the underemployed (those working part-time but wanting to work more hours). For the purposes of this comment, I have taken a subset of this group – those working part-time but wanting full-time work – because it is probably a better indicator of economic need, the difficulty in obtaining full-time work and/or having had full-time hours cut back to part-time.

Figure 1 shows the number of women working part-time but wanting full-time work increasing sharply since late 2011, while the number of men wanting full time work has plateaued. This points to women having fared much worse during the recession, something that has been evident in previous surveys. Higher rates of job losses for women combined with the difficulty in obtaining full-time work may help explain the financial difficulties being experienced by many families. In addition, some of these women will be sole parents. The overall negative impact of the downturn on women's employment sits uncomfortably with the government's claims that more women are leaving the Domestic Purposes benefit for work.

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<sup>5</sup> It is assumed here that central government will not address disadvantage by improving the incomes of those on benefits.

Figure 1: Males (orange) and females (green) working part-time but looking for full-time work up to December 2012.<sup>6</sup>



(Source: Statistics New Zealand, Table reference HLF026AA)

### Sole parents with dependents

Included in the HLFS data is the number of sole parents with dependent child/ren in work. Here, 'work' can mean as little as 1 hour per week so there is no way to tell from the data if parents are working sufficient hours to meet the work requirements to qualify for Working for Families (20 hours) or the new work test of 15 hours per week for sole parent beneficiaries whose youngest child is aged 5 or older.

1,620 fewer sole parents at the end of December were receiving benefits than at the end of the previous September. While the Minister insists those who have left a benefit have moved into work,<sup>7</sup> the numbers suggest either this is simply not happening or desperate sole parents are simply displacing other jobseekers in the labour market. The HLFS says nothing about whether those parents are in stable work that provides a sufficient income for them and their children. Nor is it clear whether this group of former benefit recipients are among those whose benefits have been cancelled under recently legislated benefit sanctions regimes.

<sup>6</sup> A four period moving average has been used to smooth out season fluctuations.

<sup>7</sup> <http://beehive.govt.nz/release/waikato-benefit-numbers-drop>

The number of sole parents in work (as defined by the HLFs) has fluctuated around 50-55,000 since at least the middle of 2009, down from a peak of 61,000 in December 2007, and seems to be independent of any welfare policy changes. Rather, as with other beneficiary numbers, the numbers largely reflect the overall employment market. Having people move off benefits when the job market is so weak should be a cause for concern, especially when so many jobseekers appear to have given up even looking for work.

## **Youth**

The last statistic that will be considered here is youth unemployment. Once again, sitting uncomfortably with the government's claims that young people are finding jobs are figures showing unemployment for 15-19 year olds has increased from 25.5% in September to 30.9% in December, and up from 24.2% the previous December. This is despite labour market changes allegedly designed to promote youth employment. For this group the labour force participation rate has barely shifted, but the number unemployed increased by 7,200 in the last quarter alone. For 20-24 year olds, the news is slightly better, with 500 more in work at the end of December than the end of September and the unemployment rate having inched down from 12.8% to 12.4% in the period. The picture for 20-24 year olds is more complex because of students working (or not) over the summer holidays, however, since December 2011 unemployment for 20-24 year olds has increased by 0.5% with more entering the labour force than finding jobs.

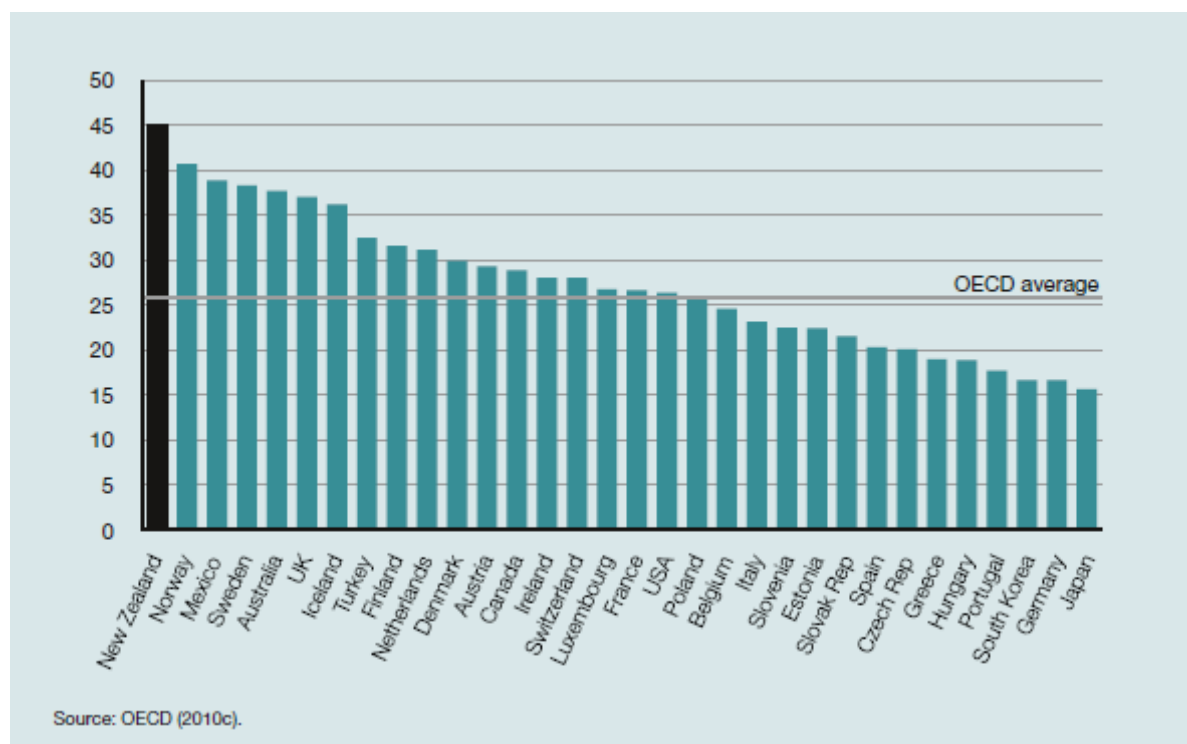
The overall unemployment rate for these two groups (15-19 and 20-24) combined remains high at 19%. The unemployment rate for 25-29 year olds has also fallen, from 7.6% to 6.6% but with the important caveat that, as mentioned above, while the number in employment has increased by 2,000, the number not in the labour force has increased by 3,400. In other words, in this age group too people are entering the labour market faster than jobs are being created for them. While there is some evidence some of this group remain in education, government cuts to education and training support will in due course close off this option, especially for older and post-graduate students.

New Zealand's young people also appear to be suffering disproportionately from high rates of unemployment. 2010 data from the OECD (and policy changes may have altered the picture in the intervening 2 years) shows that as a proportion of the unemployed, New Zealanders aged 15-24 make up 45% of the total, higher than any other OECD country (Figure 2).<sup>8</sup>

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<sup>8</sup> Cited in [http://www.nzinstitute.org/Images/uploads/More\\_ladders\\_fewer\\_snakes.pdf](http://www.nzinstitute.org/Images/uploads/More_ladders_fewer_snakes.pdf)

Figure 2: Youth aged 15-24 as a percent of total unemployed, 2009



(Source: [http://www.nzinstitute.org/Images/uploads/More\\_ladders\\_fewer\\_snakes.pdf](http://www.nzinstitute.org/Images/uploads/More_ladders_fewer_snakes.pdf), p15)

## Summary

The labour market continues to be ‘weak’. The headline fall in unemployment has arisen because 33,000 people, particularly in Auckland and Manawatu/Wanganui, have dropped out of the labour force. The withdrawal of Māori from the labour force should be deeply concerning for a government that has stated it wants to reduce disadvantage, in particular disadvantage in childhood. Similarly, the fall in labour force participation by Pacific people in the twelve months to the end of December 2012 raises serious questions about how families are supporting themselves.

As has been the case throughout this latest, protracted round of job losses, women appear to be the big losers. While employment has remained steady for men, in December there were 11,000 fewer women employed than just three months earlier. This is particularly alarming as the government not only makes it more difficult to get on a benefit, but is determined to move sole parents from welfare into jobs that are increasingly non-existent.

Sitting behind these figures are parents with children trying to make ends meet in a tough economic environment, and increasingly turning to social agencies to fill the gaps. If women, whether as primary or secondary income earners, continue to lose jobs we should expect to see more hardship in both sole and two-parent families.