



# Workers in demand

## Westpac McDermott Miller Employment Confidence Index, December 2018

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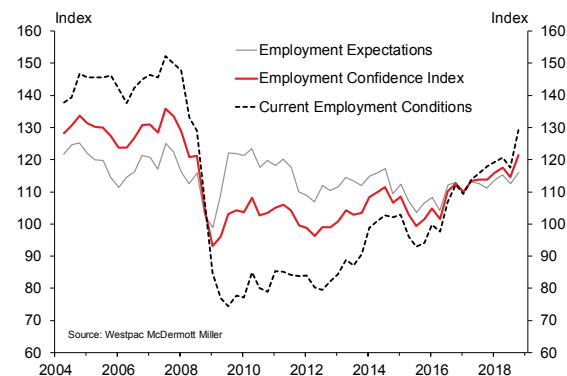


- Confidence in the labour market rose strongly in December, reaching its highest level since early 2008.
- Households’ perceptions of job opportunities have continued to rise, as demand for workers has remained strong and the pool of unemployed jobseekers has fallen.
- However, workers’ pay increases over the last year and expectations of future gains have remained subdued to date.
- Employment confidence rebounded in Auckland and Waikato, and remains particularly high in Gisborne/Hawke’s Bay and Southland.

### Employment Confidence Indices

	Dec-18	Sep-18	Change
Employment Confidence Index	121.3	114.5	6.8
Present Conditions Index	129.1	117.6	11.5
Employment Expectations Index	116.1	112.5	3.6
Current job opportunities	28.1	12.4	15.7
Expected job opportunities	1.2	-0.2	1.4
Past earnings growth	30.2	22.8	7.4
Expected earnings growth	25.6	27.5	-1.9
Own job security	21.7	10.3	11.4

### Employment confidence index



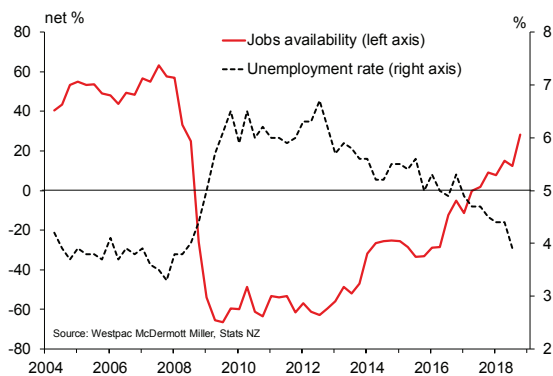
The Westpac-McDermott Miller Employment Confidence Index rose strongly to 121.3 in the December 2018 quarter, reaching its highest level since March 2008. The New Zealand labour market has tightened substantially in the last few years, and the latest surveys suggest that this process will continue in the near term even as the pace of economic growth comes off its earlier highs.

The biggest contributor to the quarterly result was a sharp lift in households’ perceptions of current job opportunities. This measure tends to closely follow the official unemployment rate, which fell sharply from 4.4% to 3.9% in the September quarter. Quarterly movements of this size are unusual, and we think it’s likely that some of this fall will be unwound in the following quarters.

Nevertheless, the perception of a tightening labour market is a widely shared one. Employment has continued to grow steadily, job advertisements are on the rise, and in

yesterday's *Quarterly Survey of Business Opinion* firms reported that the difficulty of finding workers has reached its highest point yet in this cycle.

### Jobs availability and the unemployment rate



The survey also saw a strong lift in perceived job security, which rose to its highest since September 2007 – another sign that firms are looking to hold on to good workers in a tight labour market. Expectations of future job opportunities saw a more modest gain.

The shoe that has yet to drop is a pick-up in wage pressures. The balance of workers reporting higher earnings over the past year rose in the December quarter, but this merely reversed a fall in the previous two quarters. Meanwhile, expectations for pay increases over the next year actually fell. Moreover, both of these measures have been moving back and forth within a narrow range for several years, with no clear sign of a pick-up in the years since the Global Financial Crisis.

With the increasing difficulty of finding good workers, and with inflation no longer at rock-bottom levels, we think it's only a matter of time before employers bite the bullet and offer bigger pay increases to attract and retain workers. That said, business surveys also show that firms are very concerned about their ability to pass on cost increases, which could explain their ongoing reluctance to increase wage rates to date.

### Employment confidence indices by region

Region	Dec-18	Sep-18	Change
Northland	112.8	110.0	2.8
Auckland	125.6	113.0	12.6
Waikato	122.0	97.2	24.8
Bay of Plenty	113.7	119.2	-5.5
Gisborne/Hawkes Bay	125.8	120.7	5.1
Taranaki/Manawatu-Whanganui	114.8	111.9	2.9
Wellington	119.3	119.0	0.3
Nelson/Marlborough/Westland	119.0	115.7	3.3
Canterbury	119.0	112.1	6.9
Otago	120.4	122.7	-2.3
Southland	124.7	120.7	4.0

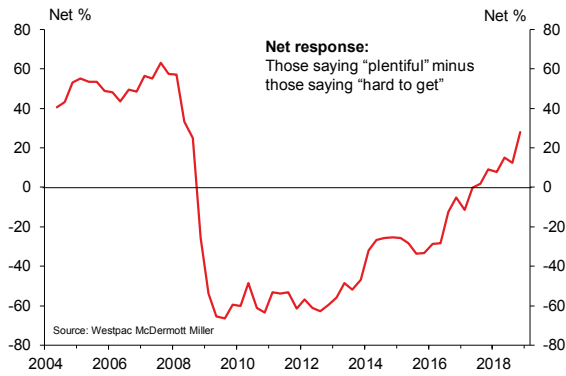
By region, Auckland and Waikato saw the biggest gains in employment confidence. However, both of these regions were coming off a sharp fall in the September quarter that was somewhat out of step with the rest of the country.

Aside from Auckland, the regions most confident about employment conditions were Gisborne/Hawkes' Bay and Southland. Both regions experienced high unemployment for many years after the GFC, but have seen a rapid improvement in the last couple of years.

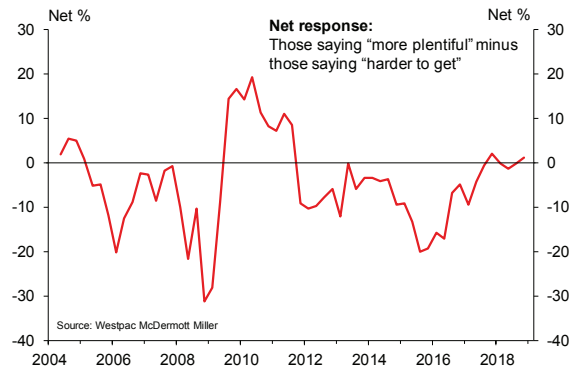
### Survey description

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 December 2018. The sample size was 1555.

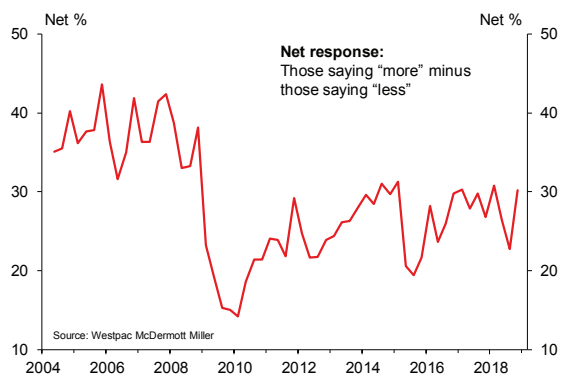
### Do you think jobs are plentiful or hard to get in NZ?



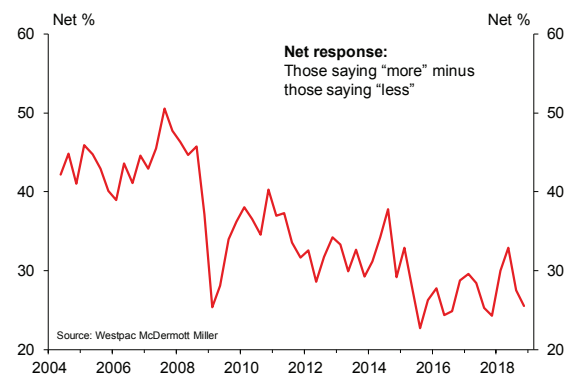
### Job opportunities in NZ in a year's time



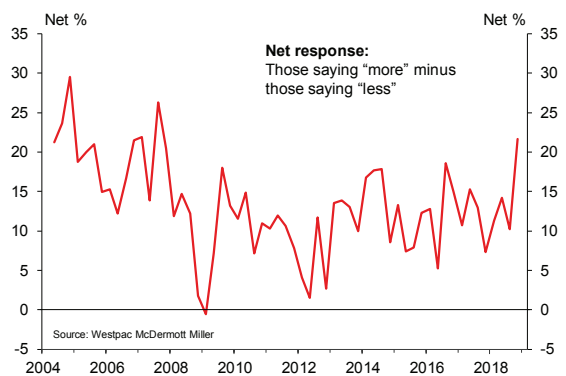
### Earnings in paid work compared to last year



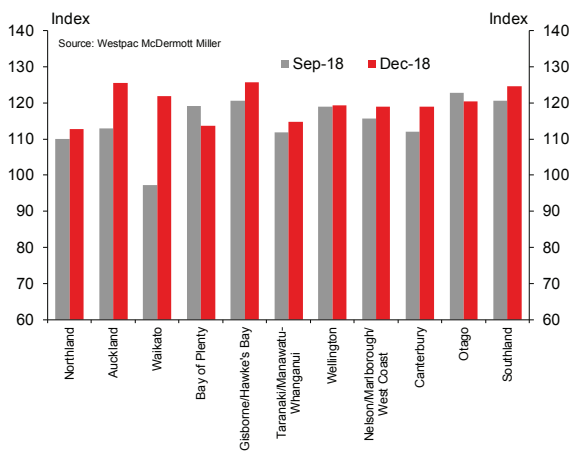
### Earnings in paid work this time next year



### Personal job security over the coming year



### Employment confidence by region



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