

Westpac McDermott Miller Employment Confidence.

25 June 2021



Employment Confidence Index rose 4.4pts in June.

- The Employment Confidence Index rose 4.4 points to 103.9 in June, taking it slightly above its pre-Covid levels.
- Perceptions about current job opportunities rose further, confirming that the demand for workers is strong.
- However, the results suggest some caution around the recent stories of labour shortages.
- Those workers who have the desired skills should be in hot demand. Yet they're feeling less confident about their future earnings and job security.

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Employment confidence indices

	Jun-21	Mar-21	Change
Employment Confidence Index	103.9	99.5	4.4
Present Conditions Index	101.5	90.8	10.7
Employment Expectations Index	105.5	105.3	0.2
Current job opportunities	-9.5	-23.1	13.6
Expected job opportunities	-7.6	-12.5	4.9
Past earnings growth	12.5	4.8	7.7
Expected earnings growth	23.8	24.4	-0.6
Own job security	0.3	3.8	-3.5

The Westpac McDermott Miller Employment Confidence Index rose to 103.9 in June, up by 4.4 points compared to March. The result was led by a strong lift in perceived job opportunities, but with more mixed results in terms of earnings and job security.

We need to be cautious when comparing these results to history. In September 2019 there were some changes to the survey methodology, which may have led to a level shift in some of the results. We can say, however, that New Zealanders' confidence about labour market conditions is back to around where it was before Covid-19 intervened.

The labour market has been one of the star performers of the post-Covid rebound – so much so that it's become a source of concern in the other direction, with increasing talk of labour shortages and skills mismatches. Mostly we've been hearing about this from businesses; the value of our survey is that it provides a perspective from workers and jobseekers.

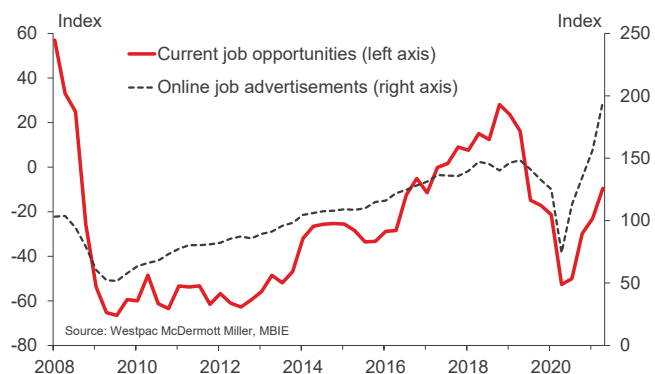
The most notable result from the June survey was a strong lift in perceptions about current job opportunities, which are now above pre-Covid levels. That's consistent with the ongoing rise



in job advertisements over recent months, and confirms that the demand for labour is strong at the moment.

It's not clear what this tells us about frictions in the labour market though. Indeed, we suspected beforehand that the results could be ambiguous. If we were facing a tight labour market because of skills mismatches, would we expect people to say that jobs are getting easier to find (because there are so many vacancies), or harder (because they don't have the skills that employers are looking for)?

Perceptions of job opportunities and online job ads



If skills are in short supply, we'd expect that those who are already in work – and have the skills that employers desire – should find themselves in hot demand. But the survey found that workers aren't seeing it that way. Expected earnings growth over the next year is actually down slightly compared to March, and still towards the low end of the historic range. Perceptions about job security have fallen since March.

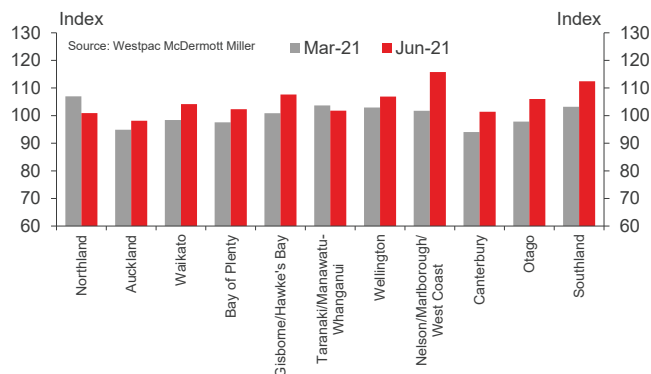
In terms of past earnings, there was a more noticeable pickup, with a net 12.5% of workers saying that they were earning more than a year ago. But in June last year, New Zealand was just coming out of the Covid-19 lockdown, employers were still relying heavily on the wage subsidy scheme, and many workers were on reduced hours. So comparing things to a year ago sets a pretty low bar, one that the survey has only modestly cleared.

Overall, we think the survey gives reason for caution around some of the recent jobs market narratives. While some businesses have been vocal about the difficulties they've had in filling positions, that's not necessarily the case at the national level. We've noted before that over 20,000 people have come off the Jobseeker Support benefit since the start of the year – a reduction of about 10% – which strongly suggests that many positions are indeed being filled.

Digging deeper into the survey, employment confidence rose across most regions. The exceptions were Northland, due to a drop in earnings and job security, and Taranaki/Manawatu-Whanganui with small declines across the board. The Auckland region saw a modest lift in confidence; some of the previous survey was held while Auckland was under Covid Alert Level 3 restrictions, but that doesn't seem to have significantly affected the results.

The rise in employment confidence was broadly shared across age and income groups. Confidence rose more for women than for men, and in particular there was a strong lift in earnings compared to a year ago. This recovery is welcome, as women bore more of the brunt of job losses and reduced hours after last year's Covid lockdown.

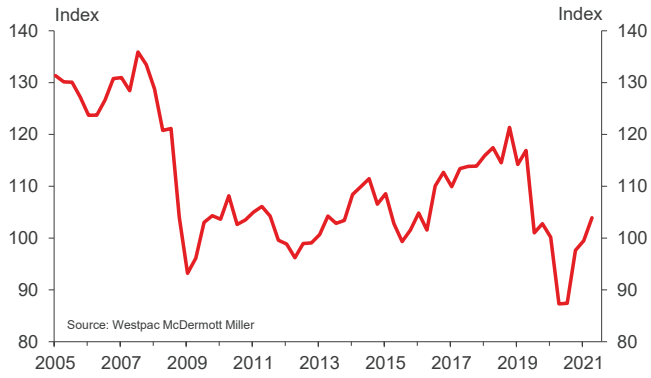
Employment confidence by region



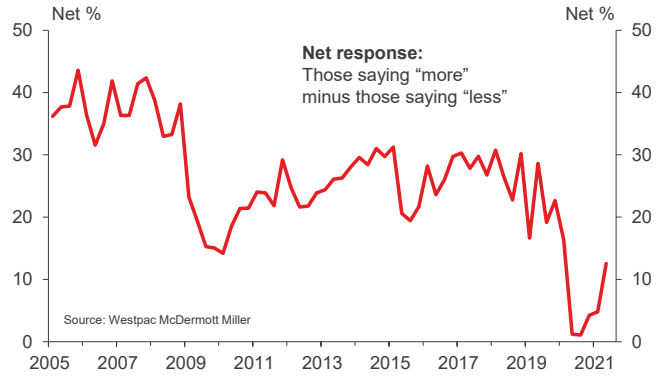
Survey details.

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 1-12 June 2021. The sample size was 1,555.

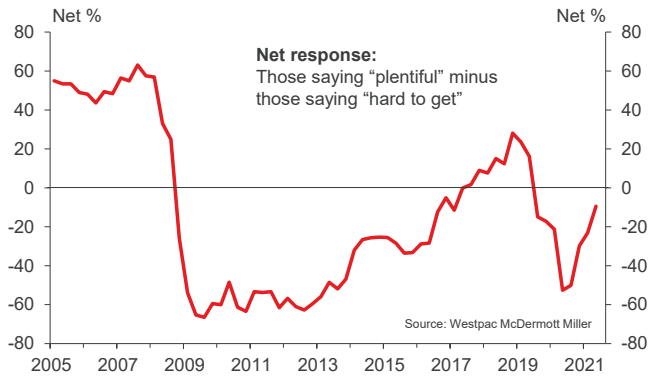
Employment Confidence Index



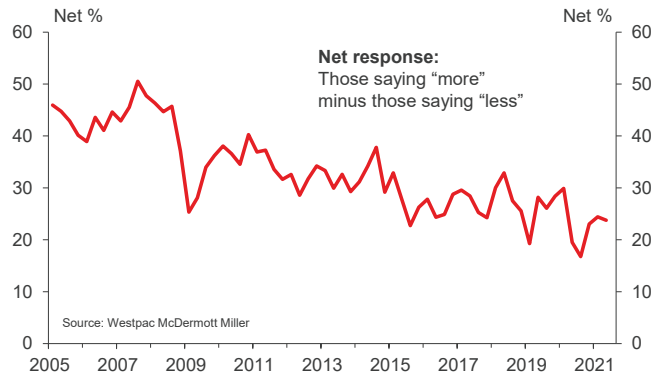
Earnings in paid work compared to last year



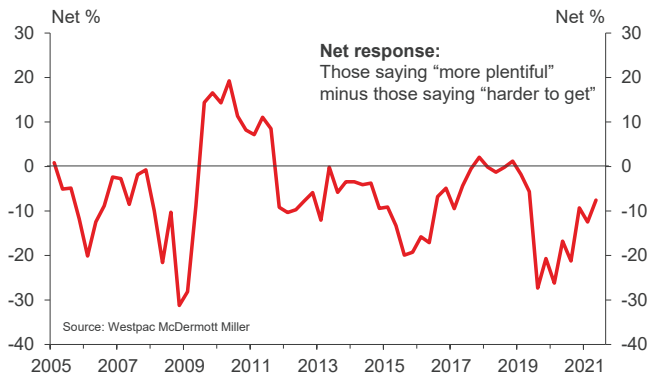
Do you think jobs are plentiful or hard to get in NZ?



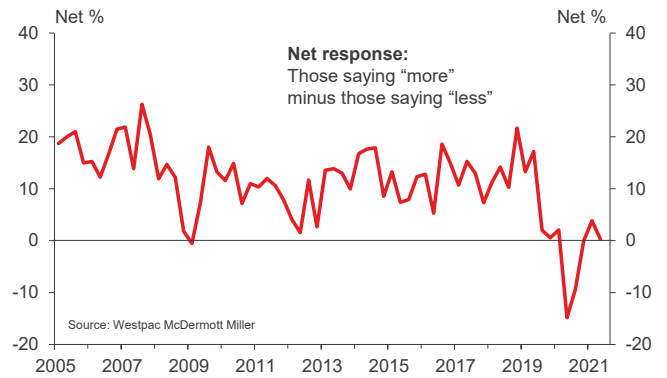
Earnings in paid work this time next year



Job opportunities in NZ in a year's time



Personal job security over the coming year



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