MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Quarterly
Canterbury Job-matching Report

March 2015

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New Zealand Government

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
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Executive Summary

This report provides an outline of the latest employment demand and supply information available on the Canterbury rebuild and wider recovery.

Canterbury's economic growth is expected to continue at a slower pace, as the rebuild activity reaches a peak. Rebuild investment provides income to an increased number of workers. This is shown in retail activity supported by demand for construction goods and services as well as consumption goods for workers. Temporary workers and displaced residents require temporary accommodation. Consequently, house prices and rentals have risen.

In the year to March 2015, Canterbury employment rose, unemployment fell, and the number of people outside the labour force fell. The employment rate and the participation rate were near the all-time highs. The unemployment rate is fluctuating around a very low level. Job vacancies in the construction industry in Canterbury are falling, which is consistent with the rebuild nearing its peak. At the same time, businesses continue to find it difficult to source skilled and unskilled workers.

Local labour supply is tight and is expected to remain so for the next three years as work continues on the rebuild.

Migrants are the main source of increased labour supply, with beneficiaries moving off benefits also contributing. The March 2015 quarter saw the highest number of rebuild-related work visa arrivals since the earthquakes.

Future skilled labour will also be sourced from students in industry training programmes. An estimated 5,713 students had enrolled in Institutes of Technology and Polytechnics and Industry Training Organisations as at April/May 2015. This is down 8 per cent on April/May 2014.

Annual wage growth to March 2014 in Canterbury construction continues at a steady rate. At 2.0 per cent, it was similar to growth of 2.1 per cent for the rest of New Zealand.

MBIE produces quarterly Greater Christchurch employment and accommodation forecasts based on CERA's forecasts of work to be done in residential rebuild and repairs, infrastructure work, and commercial work (both public sector, such as the Anchor projects; and private sector).

In the March 2015 quarter, approximately $1.2 billion construction work was completed, around half of which was residential construction. The revised projections show a protracted peak work level from 2015 to 2018, with a $1.3 billion peak in the December 2016 quarter.

An estimated 31,000 construction workers were employed in Greater Christchurch as of March 2015, up from the 15,000 estimated pre-quake. By the peak of the rebuild, an additional 2,000 workers will be required.

In the March 2015 period, there was an estimated shortage of approximately 8,000 households in the region. Based on the projected rate of rebuild and repair, housing supply will equal demand in April 2017. The tightness in the housing market is expected to fall steadily from now until April 2017.

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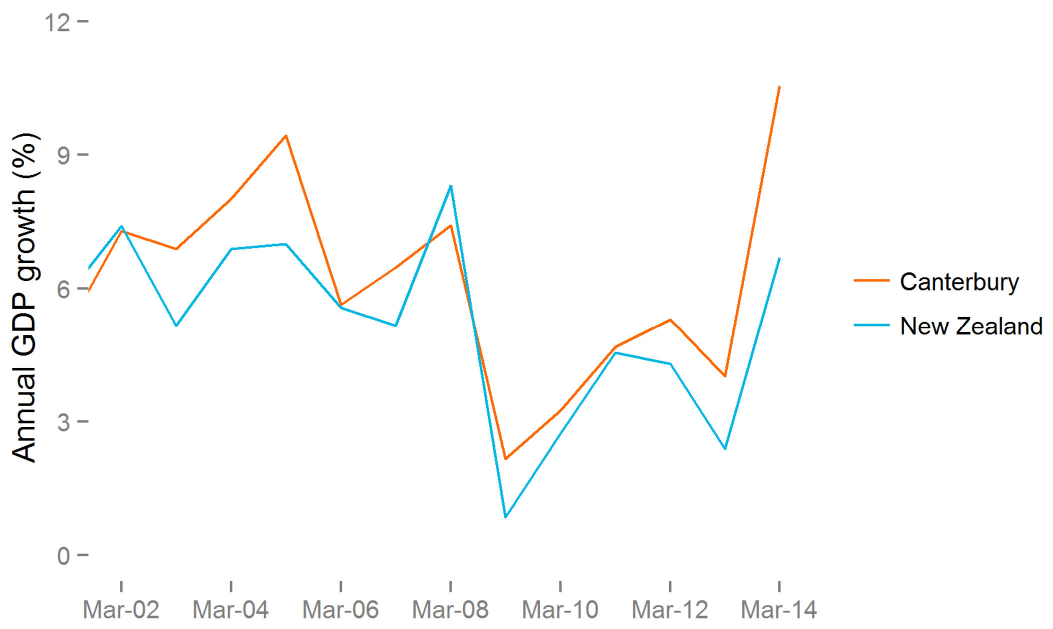
1. Canterbury Economy Outlook

Canterbury's economic growth is expected to continue at a slower pace, as the rebuild activity reaches a peak. Rebuild investment provides income to an increased number of workers. This is shown in retail activity supported by demand for construction goods and services as well as consumption goods for workers. Temporary workers and homeowners rebuilding their existing homes require temporary accommodation. Consequently, house prices and rentals have risen.

1. In the year to March 2014, Canterbury contributed 13.1 per cent of New Zealand's GDP, and the Canterbury economy grew by 10.6 per cent in nominal terms.

2. From 2009 to 2014, Canterbury's economy expanded 30.9 per cent, the highest of all regions and above the national average of 22.4 per cent. According to Statistics New Zealand, growth in the construction and agriculture industries underpinned this expansion.

Figure 1: Canterbury GDP (nominal), annual % growth



Source: Statistics New Zealand

3. In the year to March 2015 the value of retail sales increased by 10.5 per cent for the Canterbury region compared with 5.4 per cent for the rest of New Zealand.

4. Indicators of tourism activity showed a large increase over the year. Between March 2014 and March 2015 guest nights increased by 46,000 or 10.0 per cent in the Canterbury region. This compares with 7.5 per cent annual growth for New Zealand.

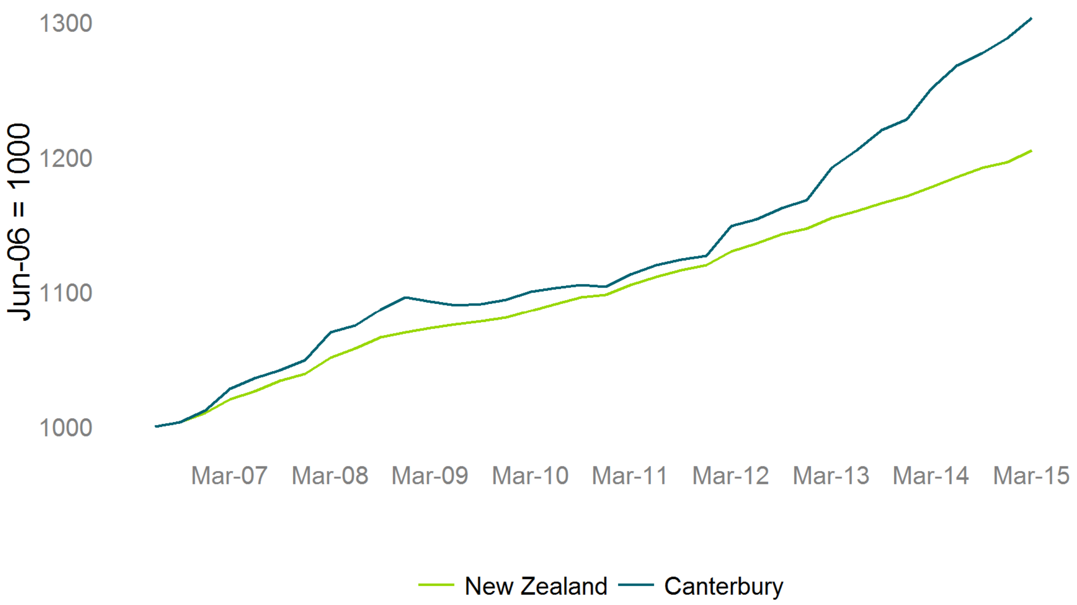
5. Housing costs, both purchase prices and rentals, have increased in Canterbury. Factors contributing to the increases in housing costs include:
   - continued population growth
   - accommodation for temporary construction workers

- home-owners seeking temporary accommodation while they carry out repairs to their earthquake damaged homes.

6. Results from MBIE modelling (para 48) suggest that pressure is easing in the housing market, and supply should meet demand by April 2017. The trend in housing costs, currently increasing, may lessen or decline in coming months.

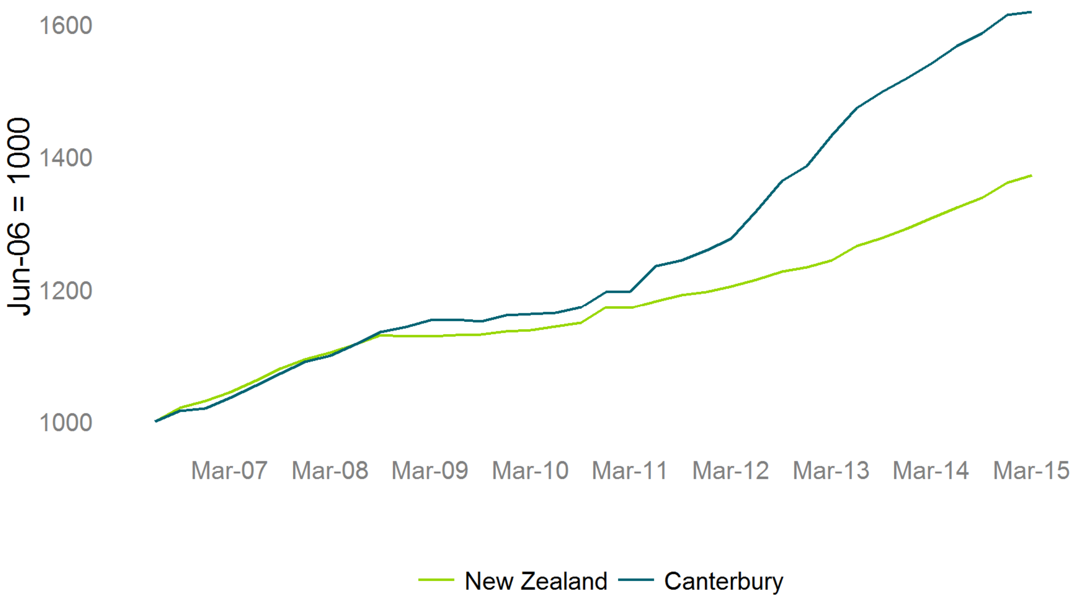
7. Rental prices increased by 4.2 per cent in the year to March 2015. This compares with 2.0 per cent for the rest of New Zealand. In the same period, house prices increased by 5.0 per cent, the same as for the rest of New Zealand. The greater Christchurch rental stock, as measured by active bonds, grew by 936 in the year to March 2015. This is the highest growth since the earthquakes, but still lower than the 1,500 average annual growth in rental stock recorded before the earthquakes.

Figure 2: Rental prices index



Source: Statistics New Zealand

Figure 3: Housing purchases price index



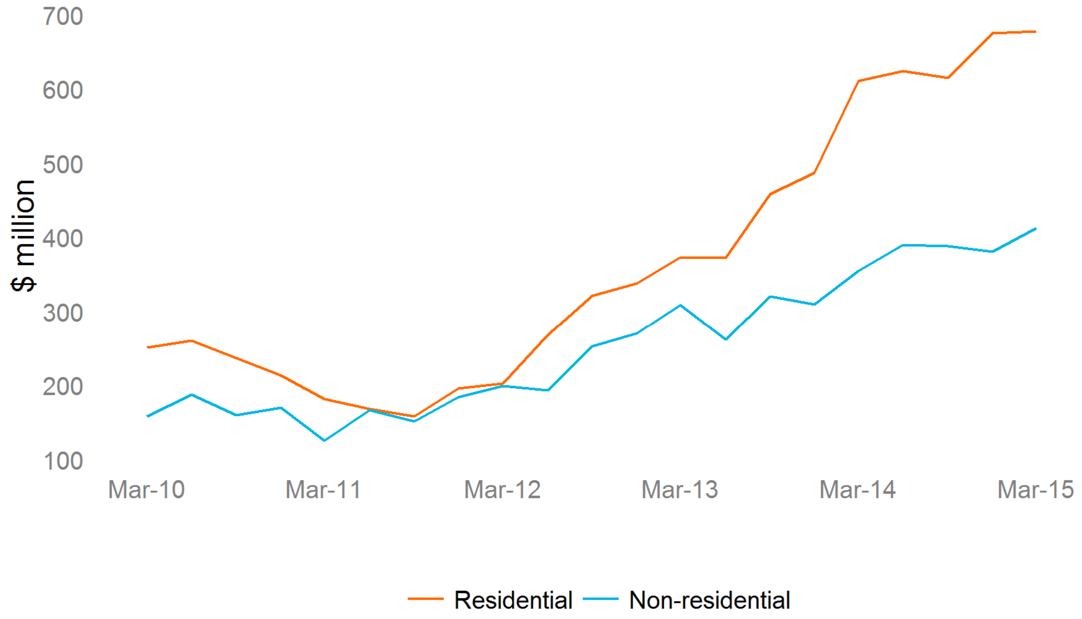
Source: Statistics New Zealand

8. The value of building activity in Canterbury rose a seasonally adjusted 3.2 per cent in the March 2015 quarter. This followed a 5.3 per cent rise in the December 2014 quarter. However, the composition of this growth has been volatile in recent quarters.

9. Residential construction activity rose a seasonally adjusted 0.3 per cent, to $677 million, while non-residential activity rose 8.2 per cent to $421 million for non-residential. This compared to 3.4 per cent rise and a 3.5 per cent fall in residential and non-residential activity respectively for the rest of New Zealand.

10. The small rise in residential work this quarter is consistent with MBIE forecasts (refer para 43) that show construction activity nearing a peak and growth in building work put in place slowing over the next few quarters.

Figure 4: Value of building work put in place, Canterbury



Source: Statistics New Zealand

2. The Canterbury Labour Market

Rebuild construction activity underpins increased employment demand in Canterbury. This flows on to employment demand in industries supporting both construction and the consumption demand of its new workers. Consequently, employment demand is broad-based and the employment rate and the labour force participation rate are near historic highs. At the same time, the low unemployment rate indicates constraints on available supply in the local labour market.

Household Labour Force Survey

11. In the year to March 2015, Canterbury employment rose, unemployment fell, and the number of people outside the labour force fell. The employment rate and the participation rate were near the all-time highs. The unemployment rate is fluctuating around a very low level.

12. The increase in Canterbury employment since the March 2014 quarter included a 8,600 (22 per cent) rise in the construction industry and a 10,100 (20 per cent) rise in the retail trade and accommodation and food services industry group. The total number of actual hours worked in Canterbury was up 4.7 per cent in the year to March 2015.

Table 1: Annual changes in Canterbury labour market indicators to March 2015

Indicator	Canterbury			NZ	
	Mar-15 result (000)	change from Mar-14 (000)	change from Mar-14 (%)	Mar-15 result (000)	change from Mar-14 (%)
Employment	325.7	17.1	5.5	2,323.8	3.4
Unemployment	10.7	-1.6	-13.0	140.4	-5.3
Working age population	462.5	10.9	2.4	3,566.0	1.9
Labour force	336.4	15.5	4.8	2,464.2	2.9
	Mar-15 result (000)	change from Mar-14 (pp*)		Mar-15 result (%)	change from Mar-14 (pp*)
Labour force participation rate	72.7	1.6		69.1	0.6
Employment rate	70.4	2.1		65.2	0.9
Unemployment rate	3.2	-0.6		5.7	-0.5

*pp = percentage points

Source: Statistics New Zealand, re-based at 31 March 2015

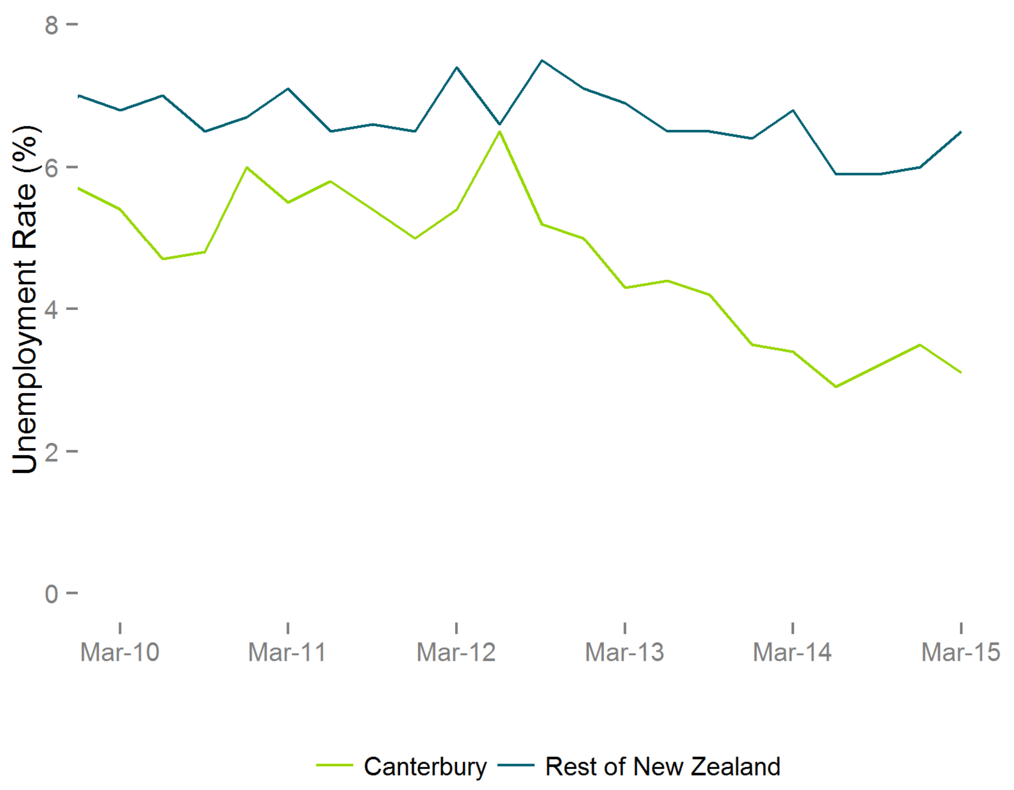
Table 2: Annual changes in Canterbury labour market indicators by gender to March 2015

Indicator	Male		Female	
	Mar-15 result (%)	change from Mar-14 (pp*)	Mar-15 result (%)	change from Mar-14 (pp*)
Labour force participation rate	79.4	2.1	66.3	1.3
Employment rate	77.4	2.5	63.7	1.8
Unemployment rate	2.5	-0.6	4.0	-0.7

*pp = percentage points

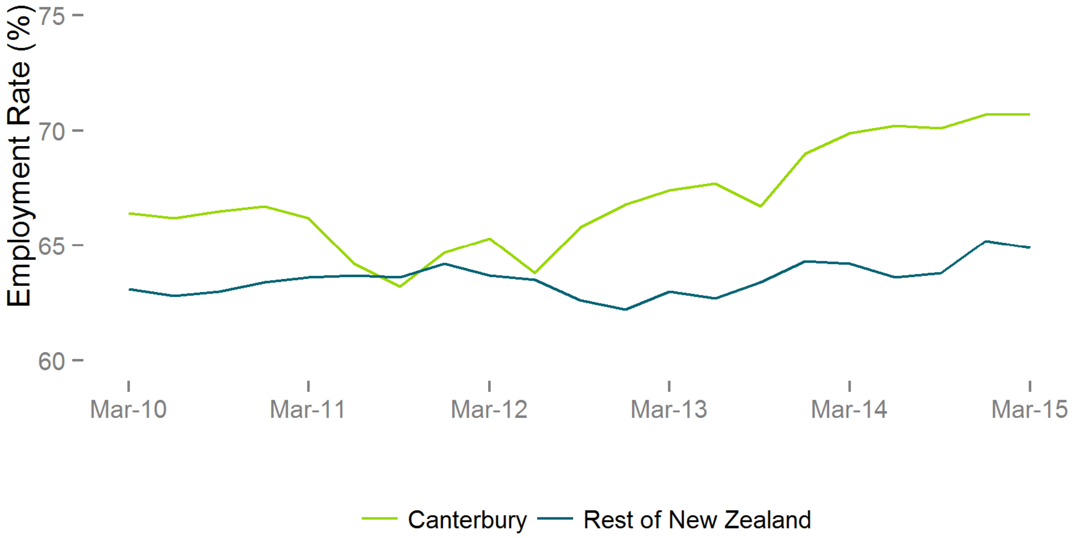
Source: Statistics New Zealand

Figure 5: Unemployment rate in Canterbury and New Zealand



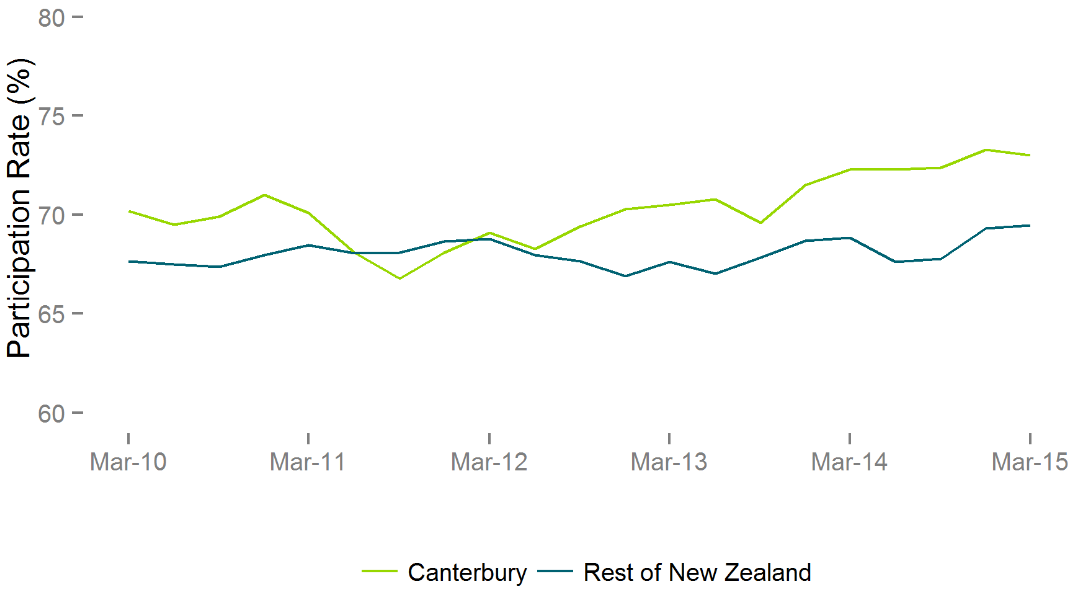
Source: Statistics New Zealand

Figure 6: Employment rate in Canterbury and New Zealand



Source: Statistics New Zealand

Figure 7: Labour force participation rate in Canterbury and New Zealand

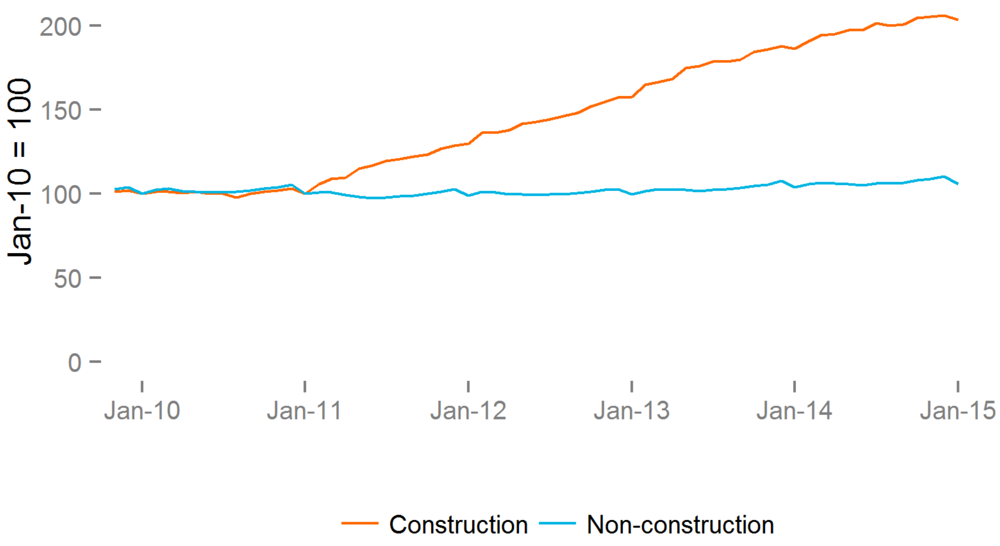


Source: Statistics New Zealand

Construction employment

13. The employment indices in Figure 8 show that there has been a massive increase in construction jobs over the last three years. From January 2011 to January 2015, jobs in the construction sector grew by 103 per cent, to about double pre-earthquake levels. This compares to an almost stagnant 5.6 per cent growth in jobs for non-construction industries.

Figure 8: Canterbury Construction Employment Index (January 2010 = 100)



Source: Statistics New Zealand, Linked Employer-Employee Dataset

3. Demand for Labour

Construction-related vacancies continue to grow strongly. Beneficiaries placed into work increased in the March 2015 quarter. At the same time, businesses are having difficulty in sourcing both skilled and unskilled workers.

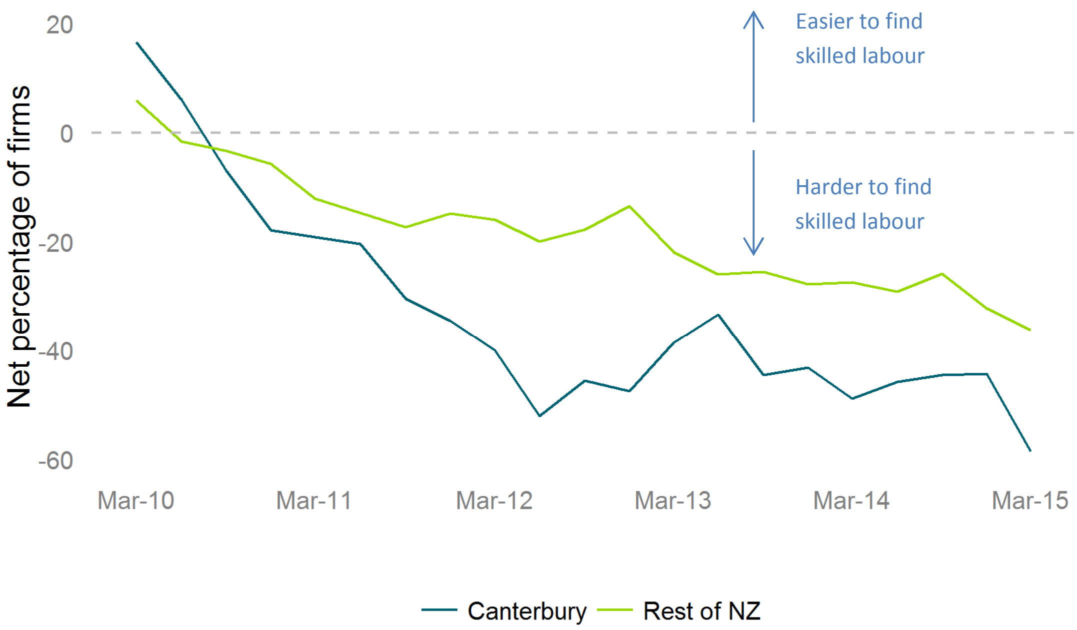
Ease of Finding Skilled Labour

14. The Quarterly Survey of Business Opinion produced by NZIER surveys businesses in Canterbury about how easy it is to find skilled and unskilled labour in Canterbury.

15. For March 2015 quarter, a net 58 per cent of businesses surveyed in Canterbury found it is more difficult to find skilled labour than three months ago, compared with 44 per cent in the December 2014 quarter. In comparison, the rest of the country recorded a net 36 per cent of businesses who found it more difficult to find skilled labour.

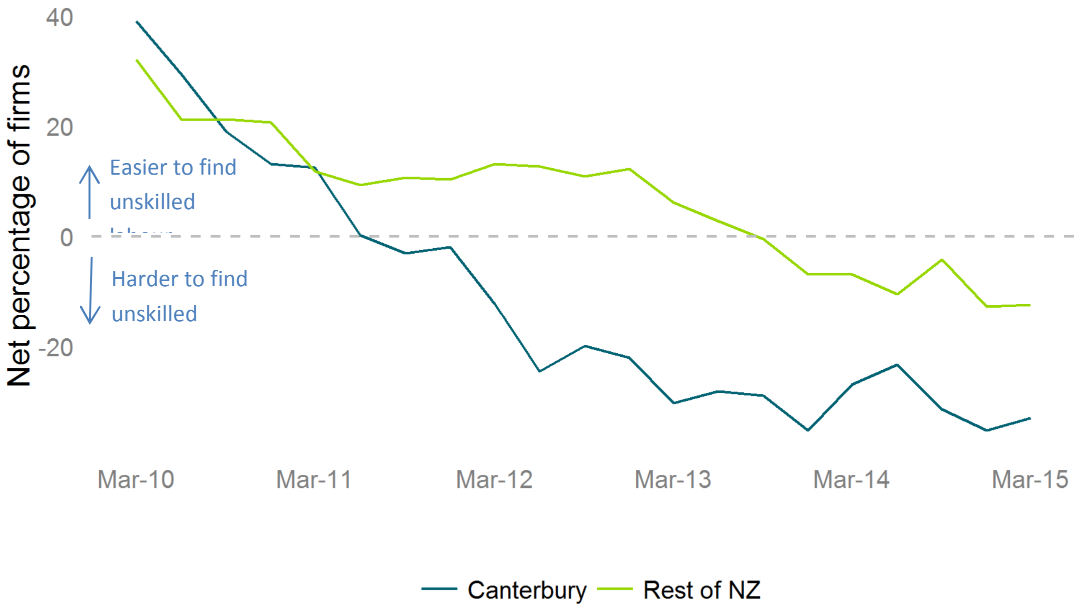
16. Likewise, unskilled labour is becoming harder to source in Canterbury. A net 33 per cent of Canterbury businesses found it harder to find unskilled labour than three months ago, compared with 12 per cent for the rest of the country.

Figure 9: Quarterly Survey of Business Opinion, ease of finding skilled labour, net % of businesses , seasonally adjusted



Source: NZIER

Figure 10: Quarterly Survey of Business Opinion, ease of finding unskilled labour, net % of businesses



Source: NZIER

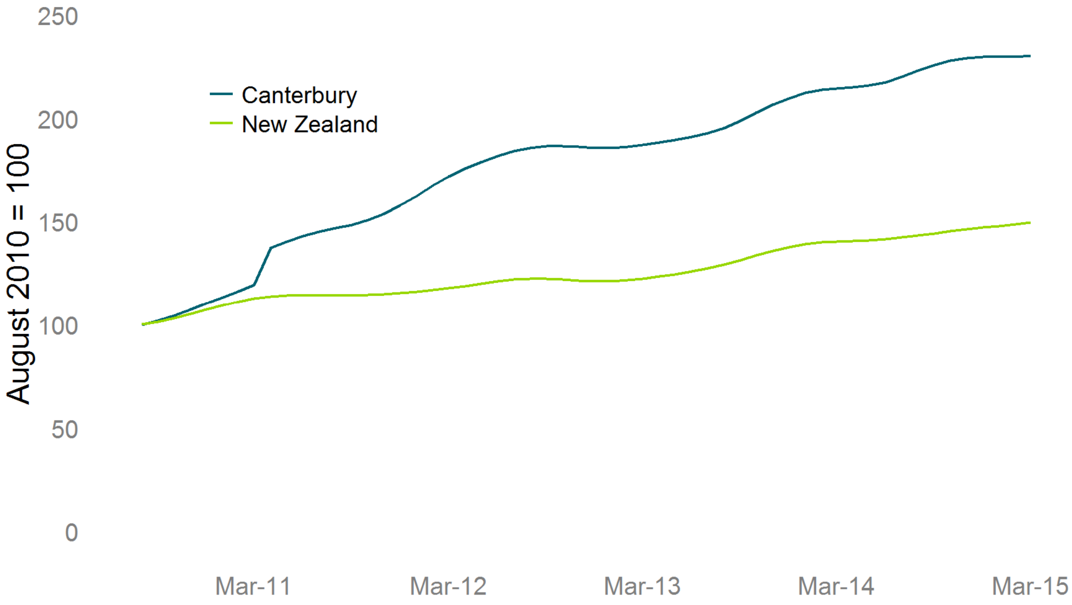
Jobs Online

17. *Jobs Online* is a monthly report produced by MBIE that measures changes in the number of jobs advertised by industry and occupation on the three internet job boards – Seek, TradeMe Jobs and the Education Gazette.

18. The *Jobs Online* Canterbury trend index[1] for skilled jobs this quarter increased around 0.3 per cent from December 2014, lower than the overall New Zealand growth of 1.6 per cent. In the year to March 2015 canterbury vacancies increased 6.3 per cent compared with 6.5 per cent for New Zealand. The Canterbury index remains well above the New Zealand average.

[1] The indices use an August 2010 base and differ from indices in previous reports which used a March 2010 base.

Figure 11: Jobs Online Canterbury skilled vacancies trend index



Source: MBIE

19. The lower growth in the March 2015 quarter was due to:
    - a fall of 4.0 per cent in construction and engineering vacancies compared with 1.1 per cent growth in the December 2014 quarter
    - a fall of 5.8 per cent in education vacancies compared with 2.6 per cent growth in the December 2014 quarter
    - a 2.6 per cent decline in sales vacancies compared with 1.8 per cent growth in the December 2014 quarter.

20. The trend for Canterbury vacancies for construction and engineering has declined 4.0 per cent from December 2014.

21. Despite falls in the quarter to March 2015, vacancies in the construction and engineering, education and sales industries, have shown growth from the March 2014 quarter of 6.9 per cent, 10.8 per cent and 11.7 per cent respectively.

22. Vacancies for managers and professionals showed steady growth in the quarter, increasing by 0.2 per cent and 3.2 per cent respectively. Technicians and trades workers vacancies increased by 4.8 per cent.

Figure 12: Jobs Online Canterbury skilled vacancies trend index - industries

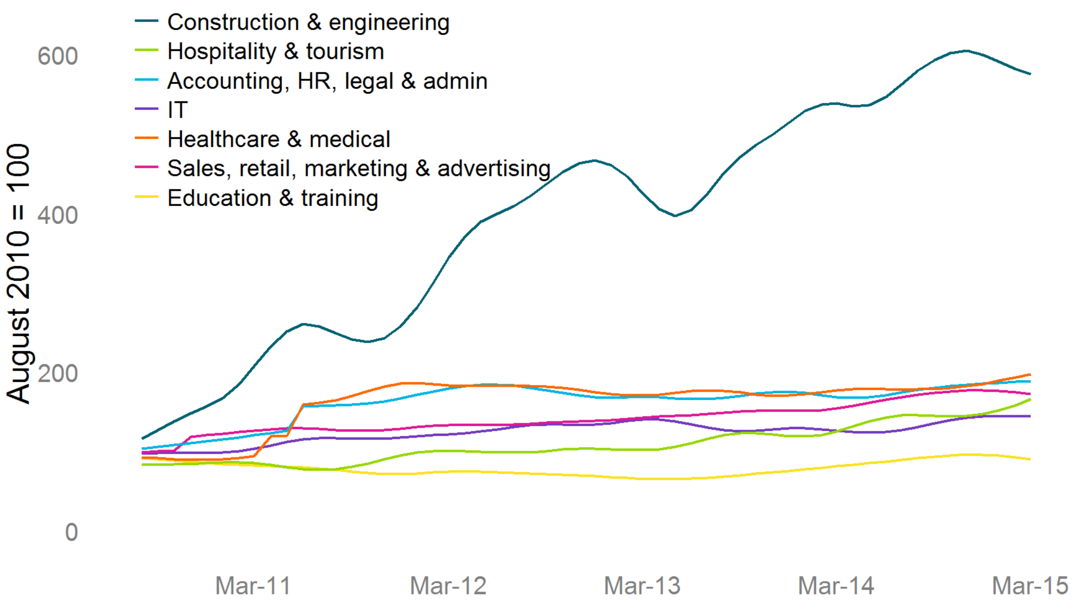
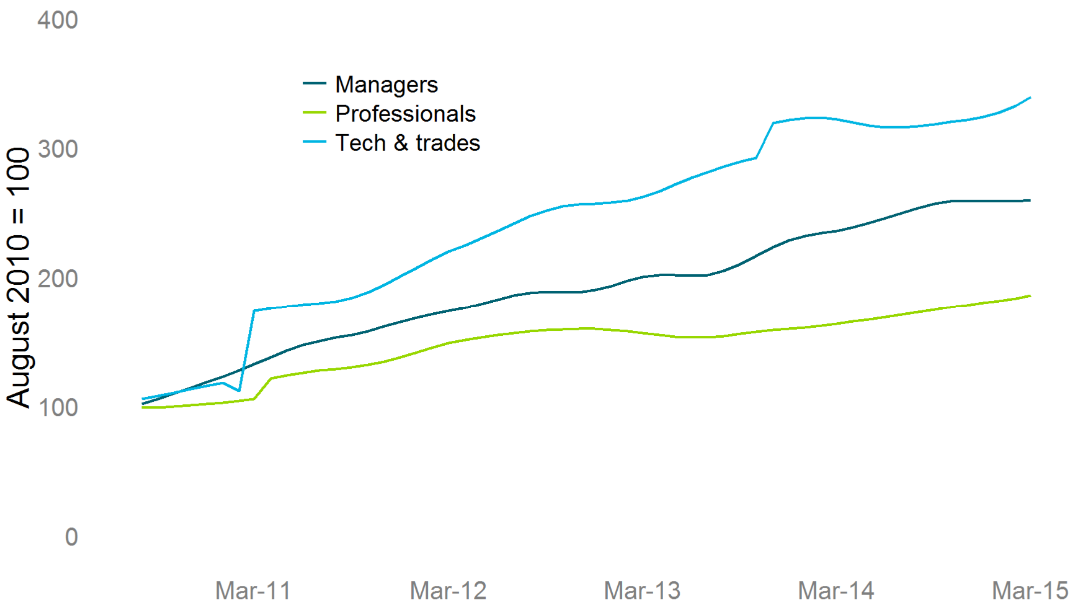


Figure 13: Jobs Online Canterbury skilled vacancies trend index – occupations



Source: MBIE

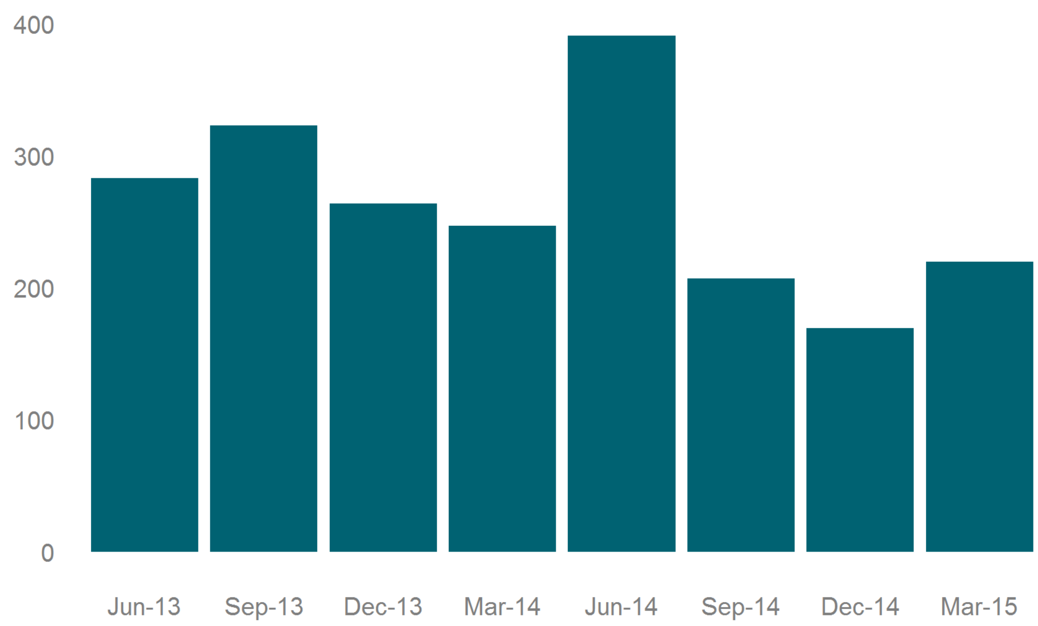
Work and Income vacancies and job placements

23. Work and Income allows businesses to list job vacancies on their website. The number of vacancies listed and job placements made provide indicators of labour demand in Canterbury.

24. In the March 2015 quarter, 340 vacancies offering 432 positions were listed by Work and Income in the Canterbury Region. This was up from 293 in the December 2014 quarter. The top industries were construction, retail trade, and manufacturing and personal and other services.

25. Over the same period, Work and Income placed 220 beneficiaries into listed jobs. This was higher than for the December 2014 quarter (169) and lower than the March 2014 quarter (247).

Figure 14: Placements made by Work and Income in Canterbury



Source: Ministry of Social Development

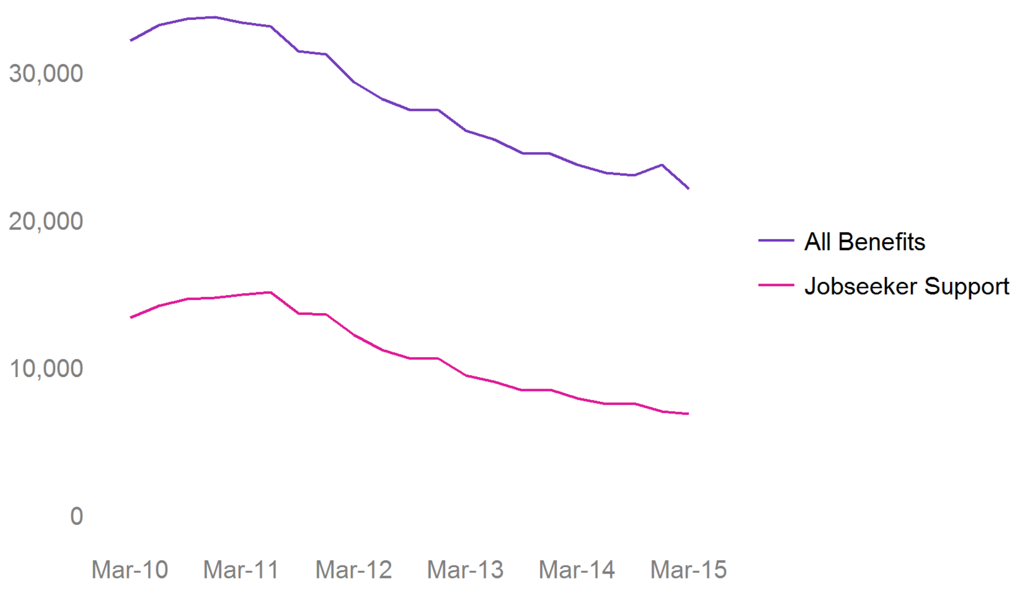
4. Supply of Labour

Migrants and beneficiaries moving off benefits provide increased labour supply. With historically low unemployment rates, local beneficiaries are a shrinking source of labour. Future skilled labour will also be sourced from an increasing number of students in industry training programmes. The supply of labour is expected to remain tight for the next two years as work continues on the rebuild.

Work and Income benefit exits and Skills for Industry programme

26. At the end of March 2015, 22,105 people were on benefits in Canterbury (down 4.5 per cent, from 23,149 in December 2014), with 6,840 on Jobseeker Support benefits (down 12.6 per cent, from 7,827 in December 2014).

Figure 15: Number of Work and Income beneficiaries in Canterbury

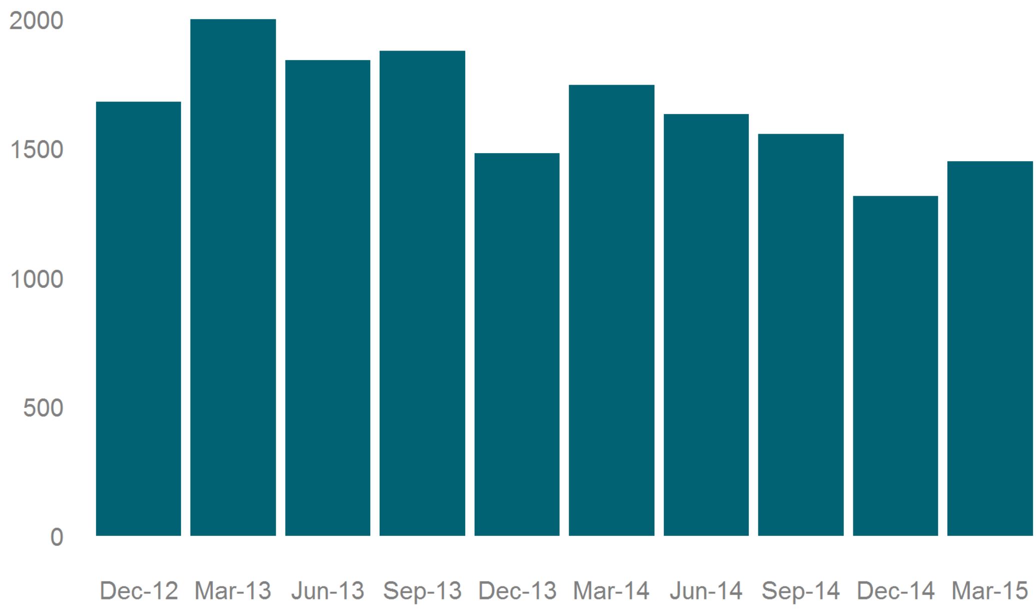


Source: Ministry of Social Development

27. Benefit numbers for the March 2015 quarter are consistent with a levelling out of a declining trend shown over the past three years.

28. The number of beneficiaries in Canterbury exiting into work in the March 2015 quarter was 1,450, above the December 2014 quarter (1,316), but below the March 2014 quarter (1,745). As the number of jobseeker support beneficiaries continues to fall (as seen in the Figure 15), the pool of beneficiaries available for work shrinks, leading to a fall in overall work exits. The numbers exiting to work include both short and long-term beneficiaries. It is not possible to differentiate between those beneficiaries who were temporarily on benefits in between jobs, and those who are longer-term beneficiaries.

Figure 16: Exits to Work by Work and Income beneficiaries in Canterbury



Source: Ministry of Social Development

29. Work and Income provides Skills for Industry training programmes. From 1 July 2014 to March 2015, there have been 364 participation starts.

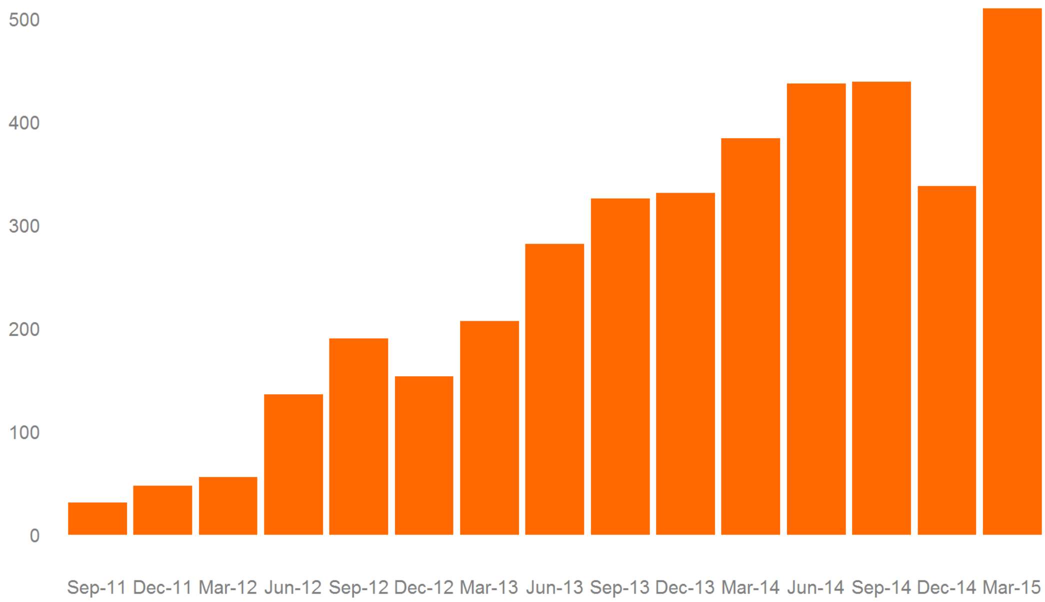
Trades training

30. An estimated 5,713 students enrolled in priority trades training in Institutes of Technology and Polytechnics (ITP) and Industry Training Organisations (ITOs) in March 2015. This is down 8 per cent on March 2015 and consisted of 1,474 ITP and 4,239 ITO enrolments.

Immigration

31. The March 2015 quarter saw a continuation in the growth of rebuild-related work visa arrivals. There were 510 rebuild-related visa arrivals in Canterbury in the March 2015 quarter, up from 338 in the December 2014 quarter, and 384 in the March 2014 quarter. Last quarter's lower arrivals were likely due to seasonal effects.

Figure 17: Rebuild-related work visa arrivals to Canterbury



Source: MBIE

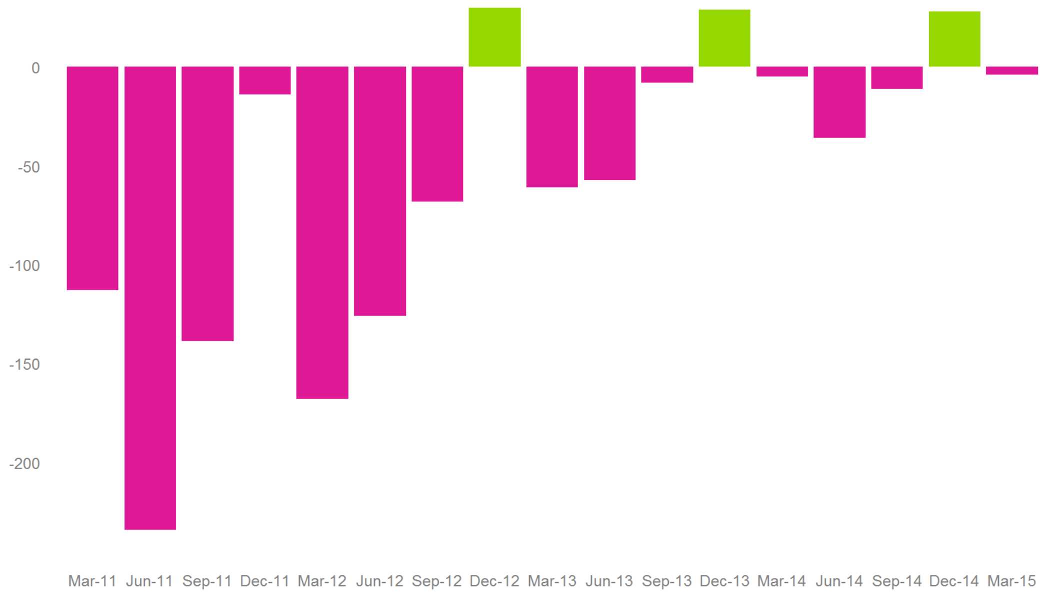
32. The Philippines was the largest source of immigration for the rebuild (with 175 arrivals) in the March 2015 quarter. Great Britain (122) and Ireland (70) also provided high visa numbers related to the rebuild.

33. The main occupation seen in rebuild-related work visa arrivals in the March 2015 quarter was carpenters and joiners (149), followed by painting trades workers (35), plasterers (33) and structural steel construction workers (30).

34. Over 2011 and 2012, few construction workers of New Zealand citizenship were returning to help with the rebuild. On average, a net 100 New Zealand construction workers were leaving the region each quarter.

35. In recent months, however, this outflow has reduced, with an average net outflow of 6 construction workers per quarter leaving New Zealand over 2014. In the March 2015 quarter, a net 4 New Zealander construction workers left New Zealand. This suggests that expatriate New Zealanders may be an increasing source of labour for the rebuild, in part due to fewer opportunities in Australia.

Figure 18: Net quarterly migration of construction-related New Zealanders in Greater Christchurch



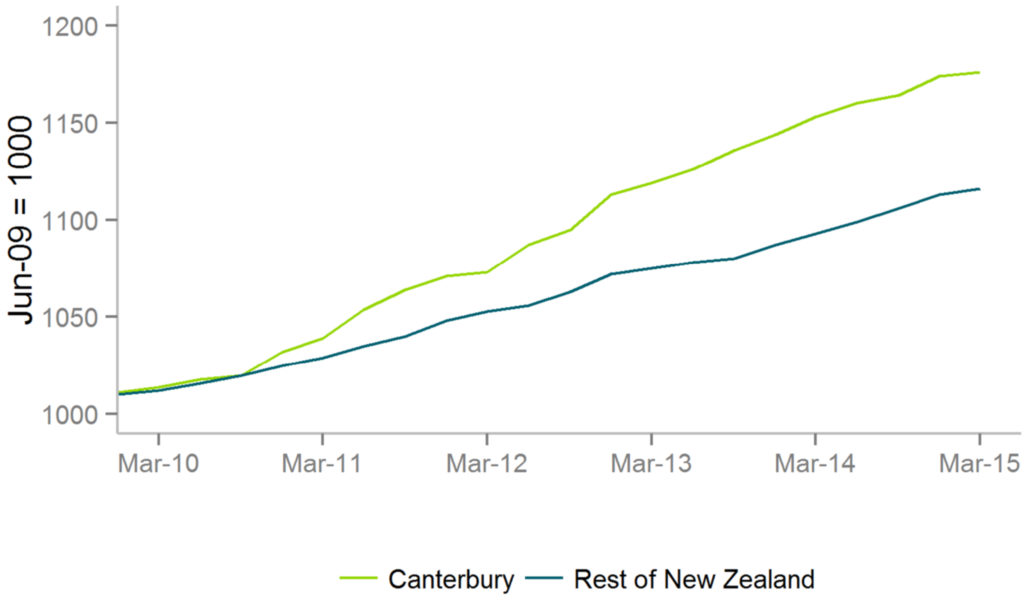
5. Labour Costs

Annual wage growth in Canterbury construction at 2.0 per cent is similar to growth of 2.1 per cent for the rest of New Zealand.

36. The cost of labour in Canterbury construction continues to increase, according to the latest Labour Cost index (LCI). In the year to the March 2015 quarter, salary and wage rate growth (including overtime) in the Canterbury construction industry was 2.0 per cent. For the rest of New Zealand, annual wages in the construction industry rose 2.1 per cent.

37. The first earthquake in Canterbury occurred in September 2010. Salary and wage rates for the September 2010 quarter were collected as at 15 August. Since then, wage rate growth has increased 15.3 per cent in the Canterbury construction index. This compares with a 9.4 per cent increase for the rest of New Zealand.

Figure 19: Labour cost index for the construction sector



Source: MBIE

6. Greater Christchurch Value of Work, Employment and Accommodation Projections

38. MBIE produces quarterly Greater Christchurch employment and accommodation projections based on CERA's forecasts of work to be done in residential rebuild and repairs, infrastructure work, and commercial work (both public sector, such as the Anchor projects; and private sector). Where possible, CERA use forecasts of work by insurance companies, construction companies and government entities. The projections should be viewed as continually improving. As construction work schedules are firmed up and more data comes available, the projections will be revised accordingly.

39. Historical value of work results will not match exactly with Statistics New Zealand's value of building work put in place (Figure 4) because it includes work without building consents (which is excluded from the Business Activity survey).

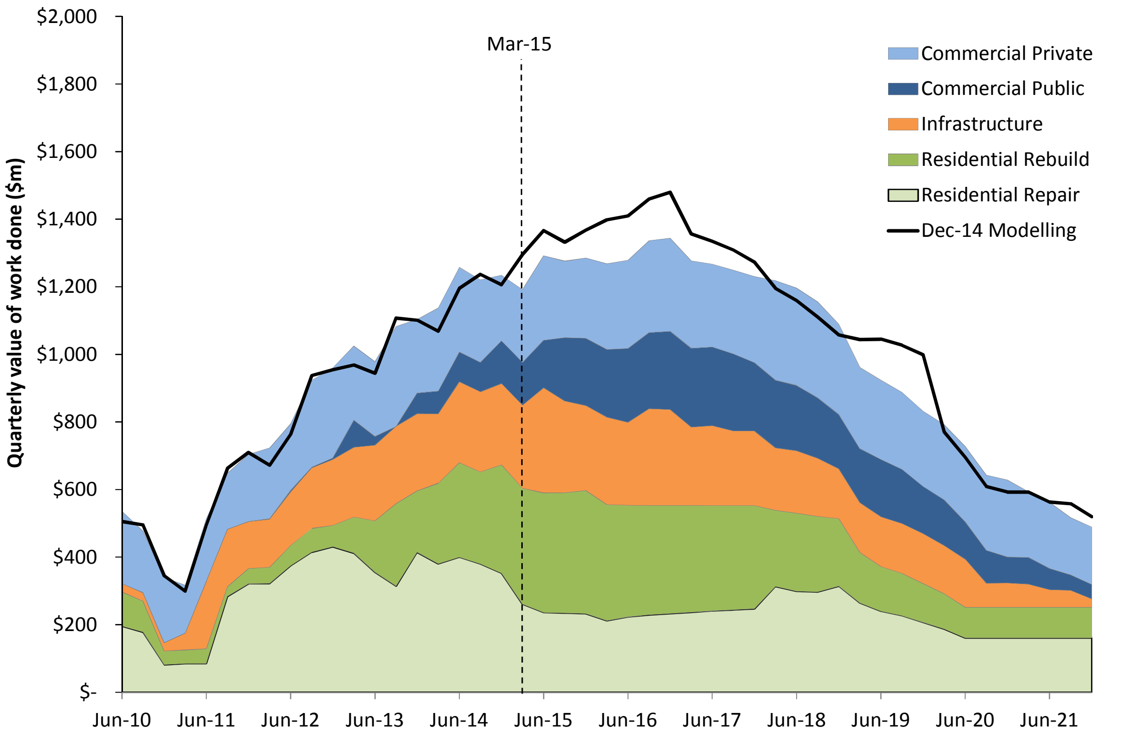
40. As the rebuild has moved to a stage where there is a substantial amount of cash settlements, it has become increasingly difficult to separate rebuild and non-rebuild work. Therefore, these projections look at the Canterbury construction sector as a whole, and do not differentiate by purpose of work.

41. Figure 20 shows the value of completed and future work in the rebuild. In the March 2015 quarter, approximately $1.2 billion construction work was estimated to have been completed, around half of which was residential construction.

42. The black line in the graph shows the previous quarter's modelling projections. The main differences between this quarter's and last quarter's results are:

- a revision downward of the value of projected infrastructure projects
- adjustment to the methodology in order to match seasonally adjusted historical value of work estimates, rather than actuals
- a reduction in the per-unit value of residential repairs and rebuilds.

Figure 20: Greater Christchurch[2] quarterly value of work projections



Source: MBIE, CERA

43. Moving forward, residential work continues, but commercial work becomes increasingly important. Work peaks at just over $1.3 billion in the December 2016 quarter. The revised projections show a protracted peak work level from 2015 to 2018. Work tails off after this point, with work expected to return to business-as-usual levels by 2021.

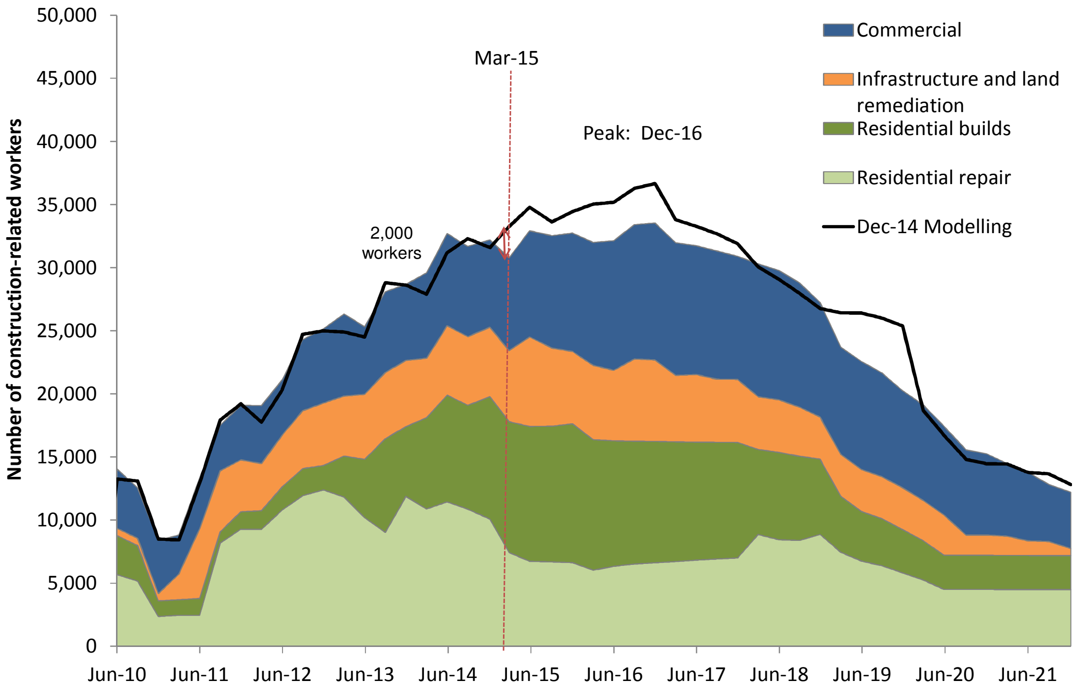
44. Residential work is projected to be largely complete by 2019. Construction companies are saying that the bulk of scheduled work will be completed by the end of 2017. A lot of later work will be initiated by people waiting to spend their cash settlements, until the bulk of the rebuild has been completed, and "business as usual" repairs and upgrades that have been deferred due to the rebuild.

45. Figure 21 shows the number of construction-related[3] workers required over the length of the rebuild. An estimated 31,000 construction workers were employed in Greater

[2] Christchurch City, Waimakariri District and Selwyn District
[3] The projections use the top 62 construction-specific trades occupations for the estimate of employment rather than the number of people employed by firms in the construction industry..

Christchurch as of March 2015, up from the 15,000 estimated pre-quake. At the peak of the rebuild in December 2016, 33,000 construction workers will be required. Most of these additional 2,000 workers will be needed for commercial and infrastructure work, while the number of residential construction workers will remain relatively stable for the remainder of the rebuild.

Figure 21: Greater Christchurch construction-related employment projections

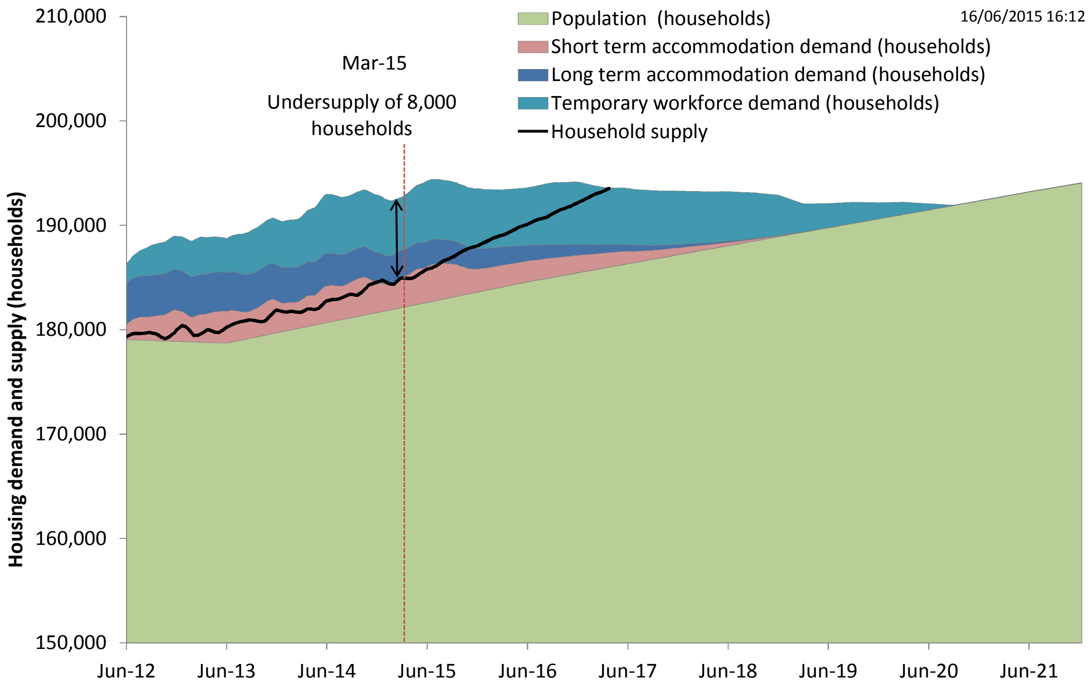


Source: MBIE

46. Figure 23 shows the projected supply and demand[4] for accommodation in Greater Christchurch. In March 2015, there was a shortage of approximately 8,000 households in the region based on the ratio of residents to households before the quakes. This is best viewed as an indicator on the tightness of the housing market, and not as the number of homeless people. The shortfall has been absorbed by, for example, people doubling up in accommodation, living in garages or tents or other forms of temporary accommodation.

[4]Demand for housing is made up of the general population (growing as per Statistics New Zealand's subnational population estimates); those people who require additional short or long-term housing while their houses are unoccupiable or under repair or rebuild; and the temporary workforce moving to Christchurch to help with the rebuild. Likewise, supply of housing is made up of the undamaged housing stock; damaged houses that are occupiable; repaired and rebuilt houses; and new housing developments.

Figure 22: Greater Christchurch accommodation supply and demand projections

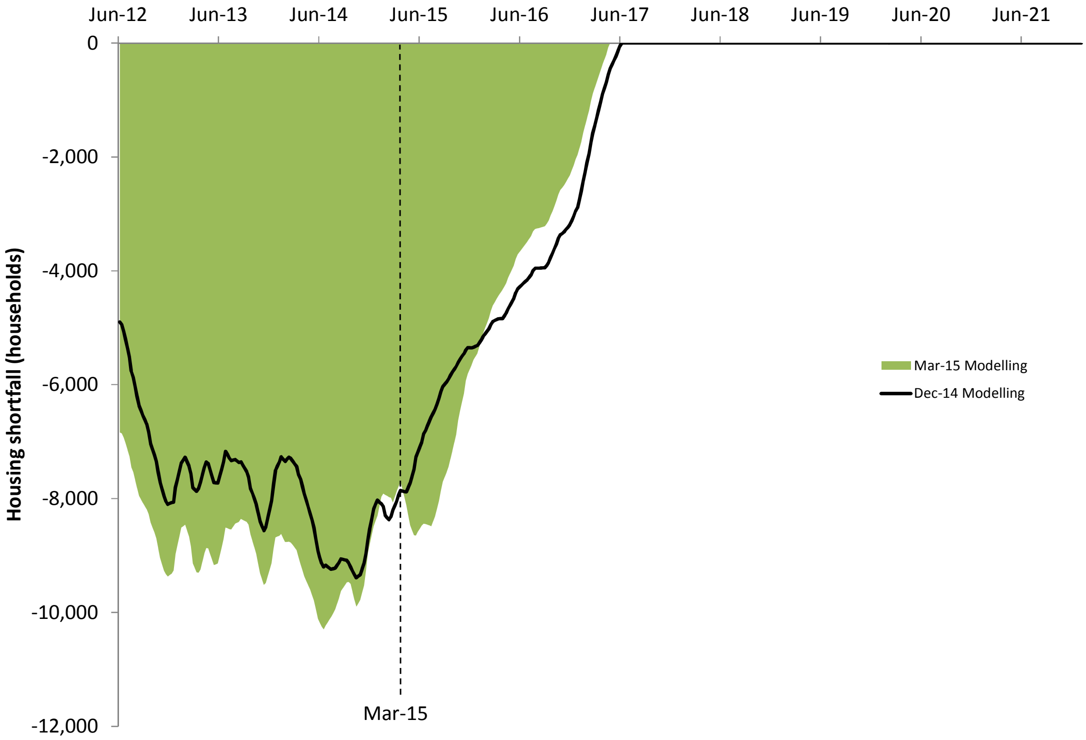


Source: MBIE

47. Based on the projected rate of repair, the housing supply reached the pre-earthquake level in November 2014. Housing supply will match demand in April 2017. As the temporary workforce leaves the region once work is complete, the region may experience an oversupply of houses. It is difficult to judge the size and length of any housing oversupply, which is why the supply line in Figure 23 stops once supply reaches demand.

48. Figure 24 shows the housing shortfall caused by the earthquakes and rebuild. It shows that the tightness in the housing market is expected to fall steadily from March 2015 until April 2017. The situation appears to have changed slightly since the previous quarter's modelling results, with a slightly quicker fall in housing tightness overall, but increased pressure across late 2015.

Figure 23: Greater Christchurch accommodation shortfall projections



Source: MBIE