

# The labor market in New Zealand, 2000–2021

## Employment has grown steadily, unemployment is low, and the gender gap and skill premiums have fallen

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### ELEVATOR PITCH

New Zealand is a small open economy, with large international labor flows and skilled immigrants. After the global financial crisis (GFC) employment took four years to recover, while unemployment took more than a decade to return to pre-crisis levels. Māori, Pasifika, and young workers were worst affected. The Covid-19 pandemic saw employment decline and unemployment rise but this was reversed within a few quarters. However, the long-term impact of the pandemic remains uncertain.

### KEY FINDINGS

#### Pros

- + Employment rates are above 2000 levels, despite strong population growth; and high employment rates, rising for older workers, are accompanied by low unemployment.
- + There is moderately strong real wage growth, even with slow growth during the GFC recovery, and relative wage growth for women and the low-paid, reducing the gender wage gap and compressing the wage distribution.
- + There has been strong growth in qualifications.
- + Lower job turnover rates indicate greater job stability.
- + New Zealand is recovering since the 2020 Covid-19 pandemic.

#### Cons

- Long-term unemployment (i.e. six months or more) remains high at around 30% of total unemployment.
- Young workers as well as Māori and Pasifika ethnic groups still face relatively high unemployment rates.
- Wage inequality has risen somewhat in the upper half of the wage distribution since 2000.
- Qualification premiums have declined.

### AUTHOR'S MAIN MESSAGE

Following almost ten years of sustained GDP growth, New Zealand entered an economic downturn in the first quarter of 2008, which was prolonged by the GFC later that year. The labor market recovery was slow until 2013, when it was reflected in net immigration, employment growth, and unemployment declines. Labor market liquidity has remained low since the 2008 downturn, with rates of hires, separations, job creation, and job destruction all still below pre-2008 levels. Overall real earnings growth has been moderately strong, though slightly faster for women, leading to a narrowing of the gender wage gap; however, the gap remains significant for women aged 30 and over. The short-term labor market recovery from Covid-19 has been strong but the longer-term impacts are still unclear.

