

# WESTPAC MCDERMOTT MILLER EMPLOYMENT CONFIDENCE

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## Struggling to get ahead.

- The Employment Confidence Index rose 6.6 points to 113.5 in March, taking it further above its pre-pandemic level.
- Perceived job opportunities remain the strongest aspect of the survey, with employers scrambling to find workers.
- Current and expected earnings growth also lifted in March. But these measures remain below pre-pandemic levels, at a time when the cost of living is rising rapidly.

### Employment confidence indices

	Mar-22	Dec-21	Change
Employment Confidence Index	113.5	106.9	6.6
Present Conditions Index	118.0	109.1	8.9
Employment Expectations Index	110.4	105.5	4.9
Current job opportunities	20.4	9.7	10.7
Expected job opportunities	-2.9	-5.6	2.7
Past earnings growth	15.7	8.5	7.2
Expected earnings growth	23.1	18.7	4.4
Own job security	11.1	3.4	7.7

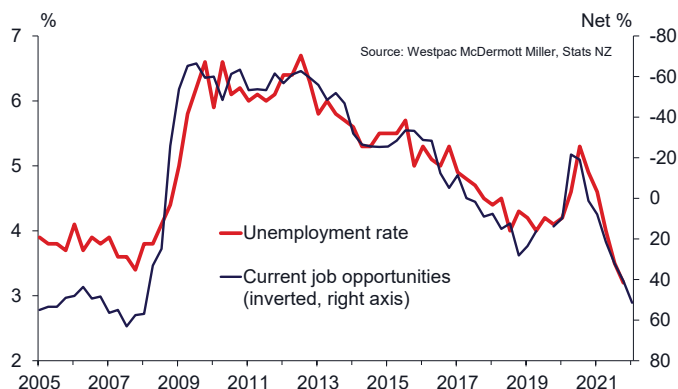
New Zealand households remained positive about labour market conditions in the early part of this year, despite the number of headwinds for the wider economy. The Westpac McDermott Miller Employment Confidence Index rose by a further 6.6 points in March, reaching its highest level since June 2019.

The employment results are in marked contrast with the gloom that pervaded the consumer confidence survey. There's no contradiction here, though. New Zealanders are upbeat about job prospects and are seeing some growth in their incomes, but the rapidly rising cost of living has left many feeling like they're going backwards.

Much of the strength in employment confidence continues to be in perceived job opportunities, and the evidence here is undeniable. Employers have been desperately seeking workers for the last year or so, and even with the effects of the Omicron variant looming large, job advertisements rose to a new record high in February.

The question on current job opportunities has tended to be a good lead indicator of the rate of unemployment. That changed somewhat when our surveying method was updated in 2019. But if we adjust for this level shift in the survey results, as in the following chart, the relationship still holds. And it suggests that the unemployment rate, already at a record low of 3.2%, can indeed go even lower in the near term.

Current job opportunities vs unemployment rate

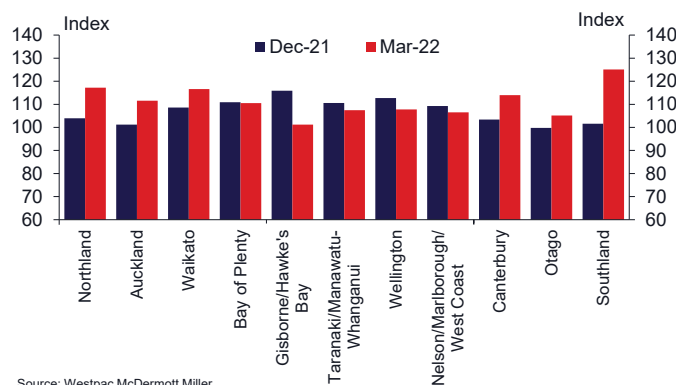


We also saw a lift in past and expected earnings growth in the March quarter, an element of the labour market that has struggled to gain much traction to date. Even so, the earnings measures remain below their pre-pandemic levels, at a time when living costs have ballooned, putting pressure on households' budgets.

Much of the rise in inflation to date (though certainly not all) has been due to cost shocks, as Covid has disrupted global supply chains while shifting demand towards areas where capacity is stretched. There are no winners when New Zealand is hit by these kinds of global shocks; the only question is how the pain will be shared, and even in an extremely tight jobs market, we wouldn't expect workers to be completely shielded from this.

The survey also shows how people's ability to protect themselves against inflation varies greatly. For the young and those on low incomes, the lift in employment confidence was largely around job opportunities. Whereas it was among the older and those on higher incomes that there was more evidence of a pickup in earnings growth.

Employment confidence by region



Employment confidence was mixed across the country, with the upper and lower parts of the country tending to fare better than the middle. As with consumer confidence, the Southland region was the standout for the March quarter, scoring particularly high on earnings and job security. Southland's economy has been less affected by Covid disruptions and is benefiting from strong export commodity prices.

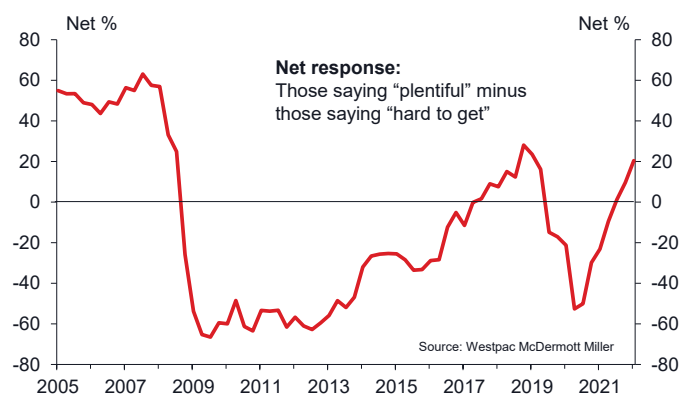
## Survey details.

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 1-17 March 2022. The sample size was 1,559.

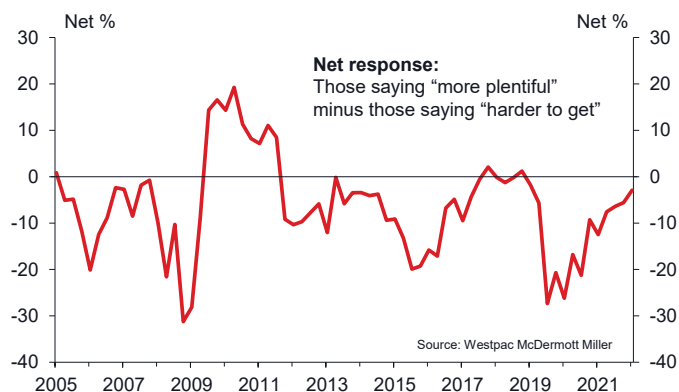
Employment Confidence Index



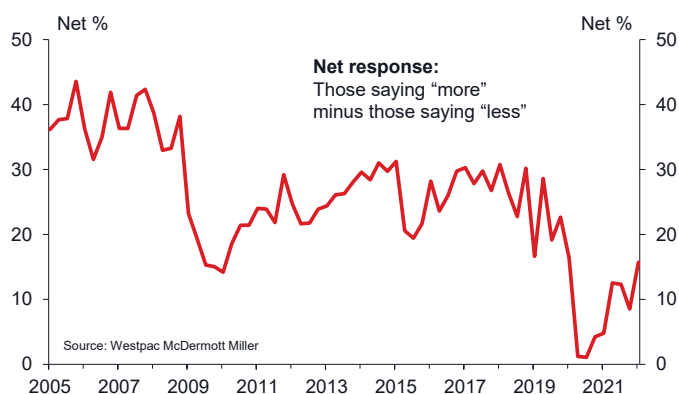
Do you think jobs are plentiful or hard to get in NZ?



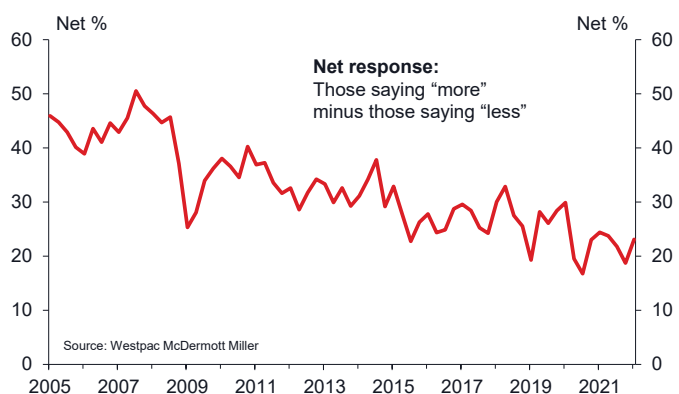
### Job opportunities in NZ in a year's time



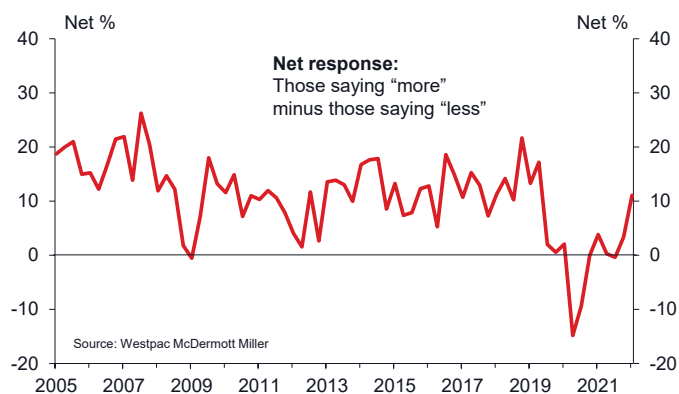
### Earnings in paid work compared to last year



### Earnings in paid work this time next year



### Personal job security over the coming year



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