

LABOUR MARKET CHARTPACK

8 May 2026



Key points – March quarter 2026

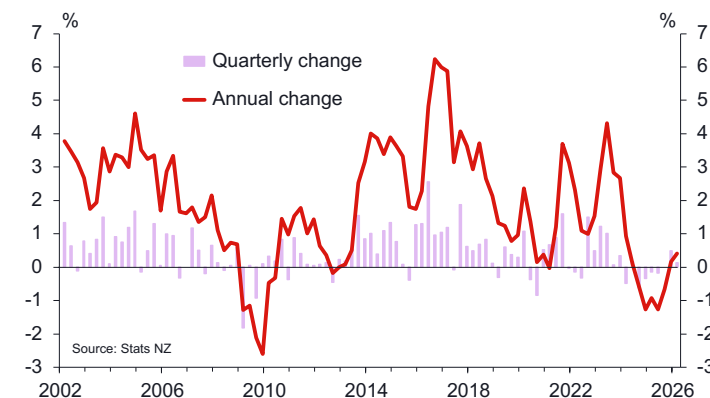
- The Q1 labour market surveys added to the evidence that the New Zealand economy was starting to find its footing again, at least prior to the Iran conflict.
- The unemployment rate ticked down from 5.4% to 5.3%, its first decline since December 2021. This was better than the flat outturn that we and the market were expecting, though the ‘surprise’ was well within the margin of error. The broader underutilisation rate was steady at 12.9%.
- The number of people employed rose by 0.2% for the quarter, while labour force participation fell slightly to 70.4%. While this combination is unusual, it was largely driven by a small group – youth participation appears to have been overstated in the previous quarter, and was unwound this time.
- There was a further lift in average hours per worker, bringing it closer to pre-Covid levels. In the early stages of an economic recovery, it’s not surprising to see businesses trying to get more out of their existing workers, before resorting to more hiring. Indeed, the rate of movement between labour force status provides a stark demonstration of the “no-fire, no-hire” economy.
- Given the existing degree of slack in the labour market, wage inflation remains subdued and largely limited to cost-of-living adjustments.
- There was little in these surveys to concern the RBNZ ahead of its next policy review on 27 May. While the RBNZ is on alert for any signs of inflation pressures beyond the direct impact of the spike in fuel prices, wage inflation is literally the last place that this is likely to show up.



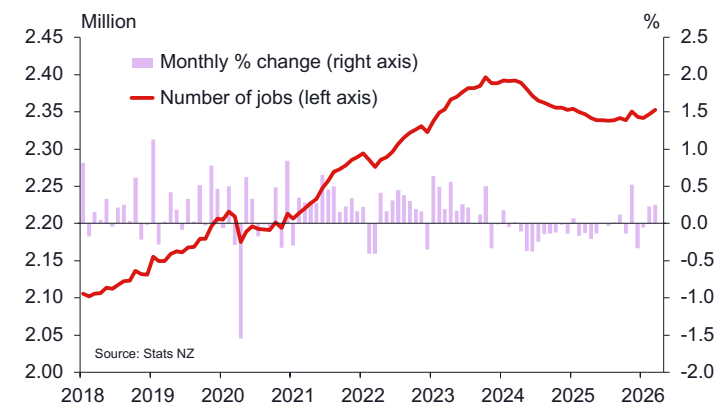
Employment

- The number of people employed rose by 0.2% in the March quarter, according to the Household Labour Force Survey (HLFS). Employment was up 0.4% compared to a year ago.
- The HLFS result was in line with the 0.2% rise in filled jobs from the Monthly Employment Indicator (MEI), a comprehensive measure based on income tax data. While there are some differences in coverage for these two measures, any divergence between the two is most likely to reflect sampling error in the HLFS.
- The employer-focused Quarterly Employment Survey (QES) was similarly positive, recording a 0.7% rise in full-time equivalent workers and 0.6% gains in filled jobs and hours paid.
- All of these measures are broadly consistent with our forecast of a 0.8% rise in GDP for the quarter (which we expect will be partly boosted by seasonal distortions).

HLFS number of people employed



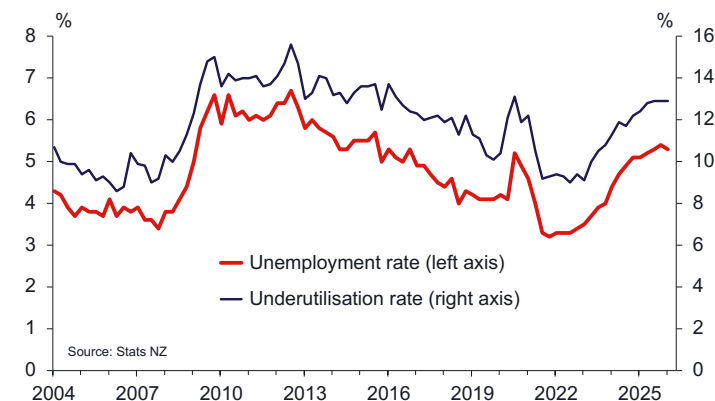
Monthly Employment Indicator filled jobs



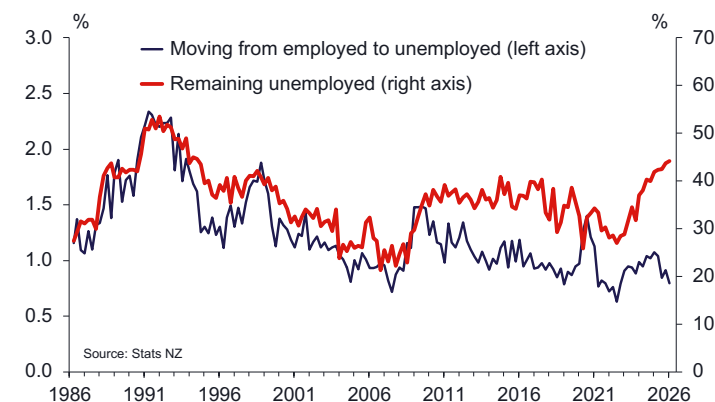
Unemployment

- The unemployment rate ticked down from 5.4% to 5.3% in the March quarter. This was the first decline, albeit small, after four years of increases.
- The broader underutilisation measure (which includes discouraged jobseekers and part-time workers wanting more hours) was steady at 12.9%.
- We would place the ‘neutral’ unemployment rate (i.e. the rate associated with low and stable inflation) at around the 4.0-4.5% range. This suggests there is a substantial degree of spare capacity in the labour market, with limited upward pressure on wages.
- The unemployment rate reflects the balance of movements in and out of the workforce. In that respect, we’re seeing an unusually large divergence in conditions. The rate of job losses has fallen back to levels that, in the past, would have actually associated with a tight labour market. But for those who are already out of work, it’s harder to get back in than it has been for decades. This is the “no-fire, no-hire” labour market.

Unemployment and underutilisation rates



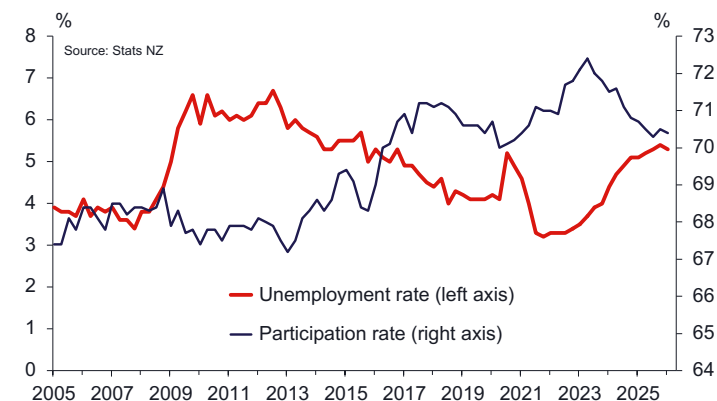
Labour force status transition rates



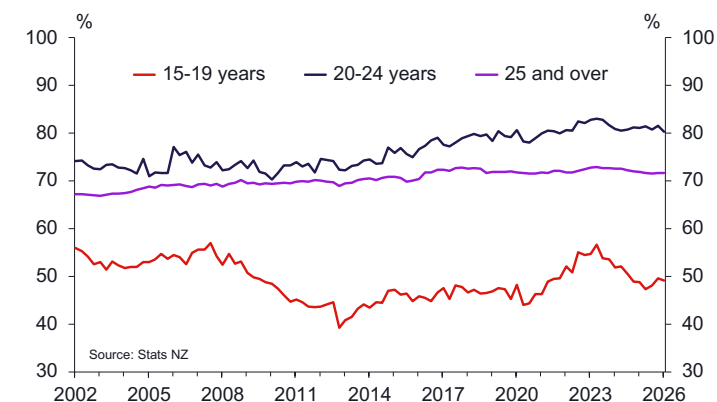
Labour force participation

- The participation rate fell from 70.5% to 70.4% in the March quarter. That partly reversed a surprising increase in the December quarter.
- Our analysis found that the rise in participation in the December quarter was limited to people under 25 – the survey appears to have captured an unusually high number of students who were working during the school holidays. As we expected, this result was unwound in the March quarter as the next academic year began.
- Beyond the normal quarterly volatility, labour force participation is driven by both cyclical and structural forces. As the economy regains momentum, we would expect to see participation rise as people are attracted back into the job hunt.
- Over the longer term, labour force participation faces a tug of war between an aging workforce (more than a fifth of the working-age population is now over 65) and an increasing tendency for people to continue working for longer.

Unemployment and participation rates



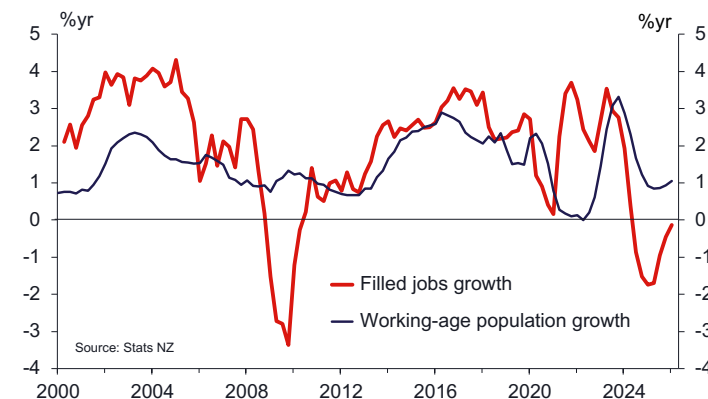
Participation by age group



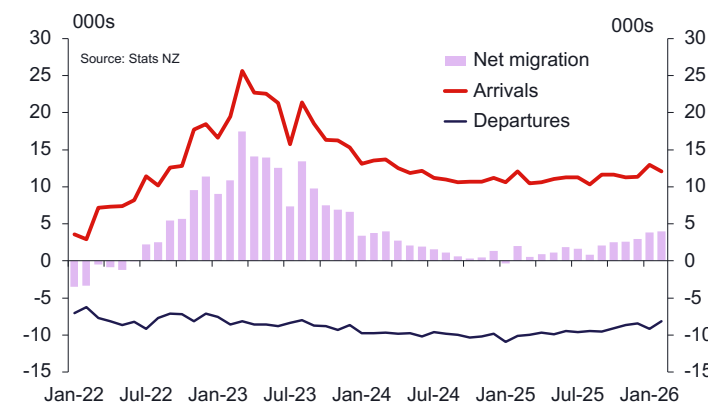
Population and migration

- The working-age population grew by 1.0% over the last year, compared to a peak of 3.3% growth over 2023. Jobs growth is still lagging behind population growth on an annual basis.
- The pool of potential workers is generally becoming older, with the Baby Boomers increasingly reaching pension age and beyond, and with migrant arrivals tending to be an older cohort than we saw pre-Covid – more in their 30s and 40s than their 20s.
- Net migration flows have started to pick up from their lows in recent months. Departures of New Zealanders have come down from their highs, though they remain above pre-Covid levels, as the relative appeal of the Australian jobs market has narrowed.
- Foreign arrivals have picked up to some degree, although the growth appears to have been mostly driven by the Parent Boost Visa rather than work visas.

Employment and working-age population



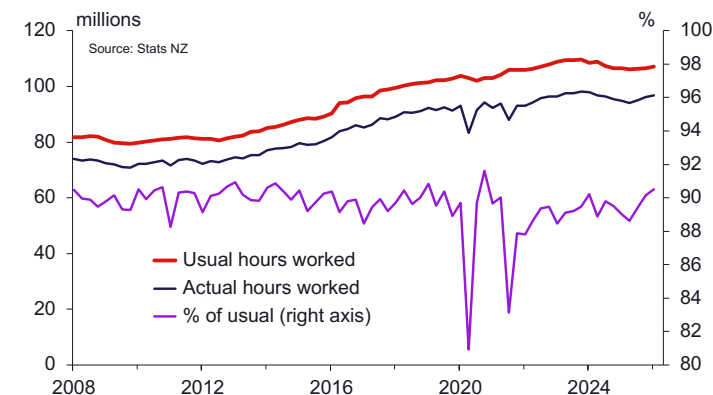
Monthly migration flows



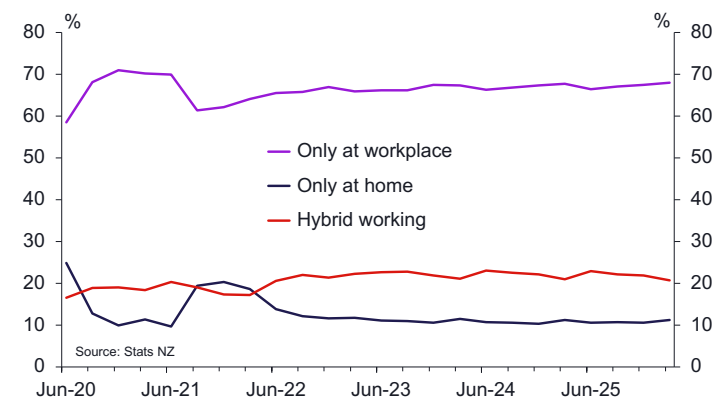
Work conditions

- The HLFS recorded a 0.8% increase in the total number of hours worked in the March quarter, another solid result on top of the 1.2% rise in the previous quarter.
- Respondents' usual hours rose by a more modest 0.4%. The implication is that more workers are returning to something closer to their normal hours as the economy picks up again. This is a typical response in the early stages of an upturn – employers may look to get more out of their existing workers before hiring new ones.
- Trends in hybrid working have been largely unchanged since 2022 when Covid restrictions were lifted. Around two-thirds of employees work solely outside the home, with just over 20% having some form of hybrid working arrangement.
- Around 20% of employees work part-time – a share that has increased slightly in the last couple of years, but has been trending down over the longer term. Around 7% of employees work multiple jobs, a share that has been steady over time. More commonly this is self-employment (i.e. 'side hustles') rather than paid work.

Usual vs actual hours worked



Share of employment by work location



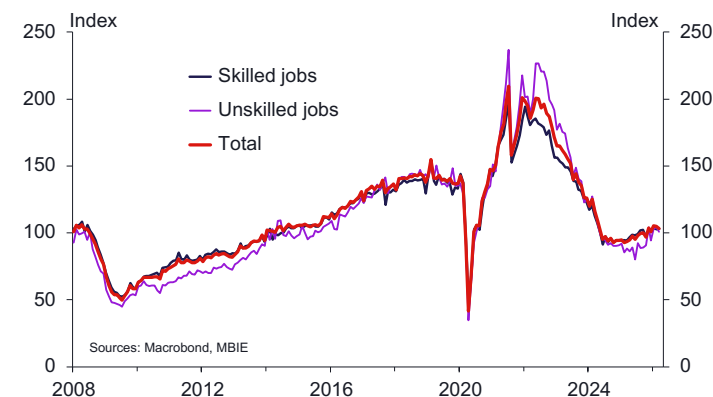
Hiring

- Business confidence surveys were showing a strong lift in hiring intentions by the end of 2025, in keeping with the overall improving mood about the economic outlook.
- This has started to come through in job advertisements, which were up around 10% in the March quarter compared to a year ago. That said, the level is still well below what we'd associate with a 'strong' labour market, where advertisements will reflect a high degree of churn as well as new job creation.
- Vacancies for skilled roles initially saw more of an upturn, consistent with feedback from businesses that workers are becoming harder to find again for certain specialised positions. More recently there has been an uptick for unskilled roles, as sectors such as construction and manufacturing have started to turn the corner.
- The uncertainty generated by the Iran conflict has led to a sharp drop in business confidence, with an accompanying drop in stated hiring intentions. Whether this proves to be the case will depend on how quickly the conflict resolves.

Business employment intentions



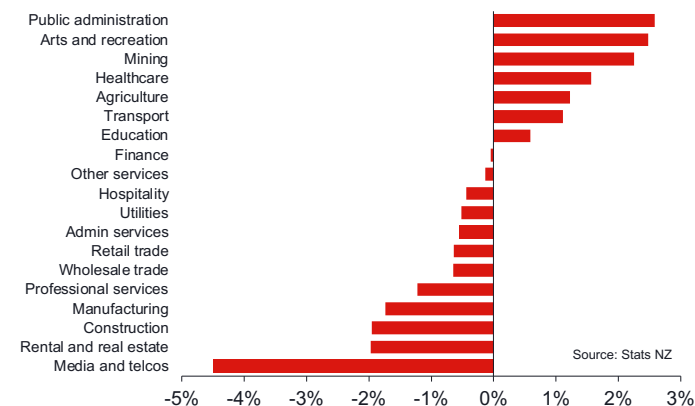
Job advertisements



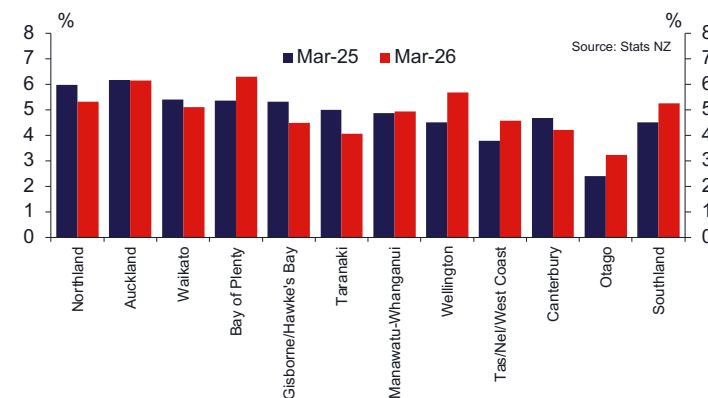
Sectoral and regional trends

- Jobs growth has been stronger in government-connected sectors such as healthcare and education, as well as in local and central government administration. Sectors with connections to international tourism, such as transport and recreational services, have also seen solid growth.
- Construction and manufacturing sector employment have fallen substantially since late 2023, though there are signs that they have bottomed out in recent months.
- Employment trends have generally been more positive in the South Island than the North, which likely reflects the greater influence of the agricultural sector – while not a large employer in itself, farmers have benefited from high export prices and their spending has flowed into other sectors.
- The rate of unemployment has been broadly steady across the South Island over the last couple of years, compared to the rise in the North Island (and hence in the national average).

Filled jobs by sector, annual % change



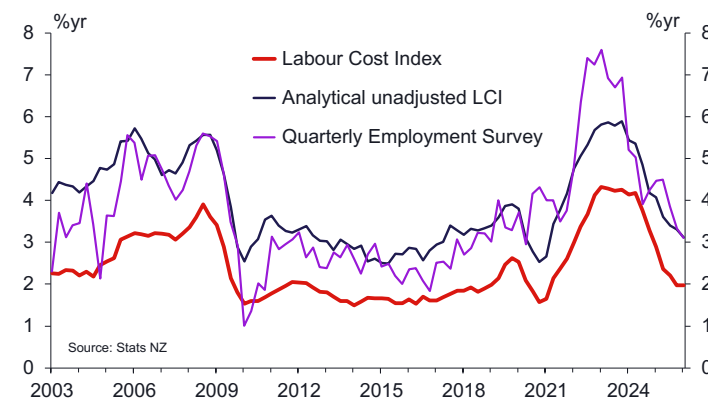
Regional unemployment rates



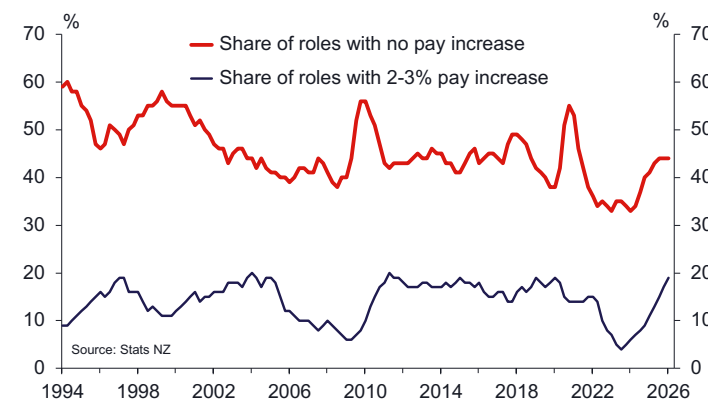
Wages

- The Labour Cost Index (LCI) rose by 0.5% in the March quarter. Annual growth remained at 2.0%, the lowest since March 2021.
- The distribution of pay rates has returned to pre-Covid trends. Only 44% of roles saw a pay rise over the last year; of those roles that did see an increase, the average size is converging on the 2-3% range, compared to the larger increases that were more common in previous years.
- The LCI is not a measure of what workers are actually receiving – it reflects the cost to businesses for a given unit of labour – and hence shouldn't be compared to the inflation rate. A more suitable measure is the unadjusted analytical LCI, which includes pay rises that are related to productivity gains. This measure slowed from 3.3% to 3.1% on an annual basis, also the lowest since March 2021.
- Another measure, the QES average hourly earnings, slowed from 3.3% to 3.1% in the year to March, after having picked up briefly in early 2025. This measure is not adjusted for the composition of jobs and is more volatile than the LCI.

Measures of wage growth



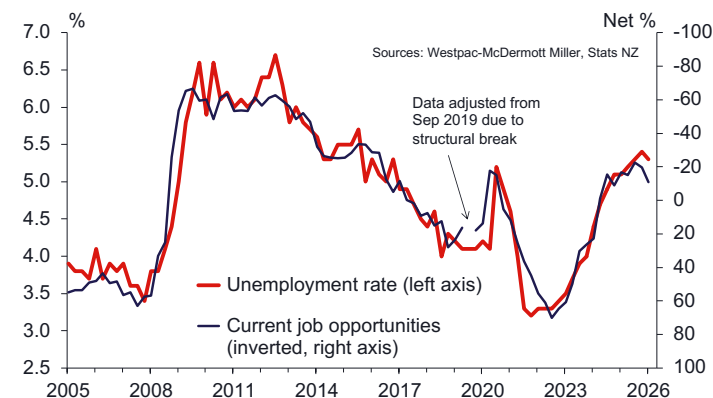
Distribution of labour costs



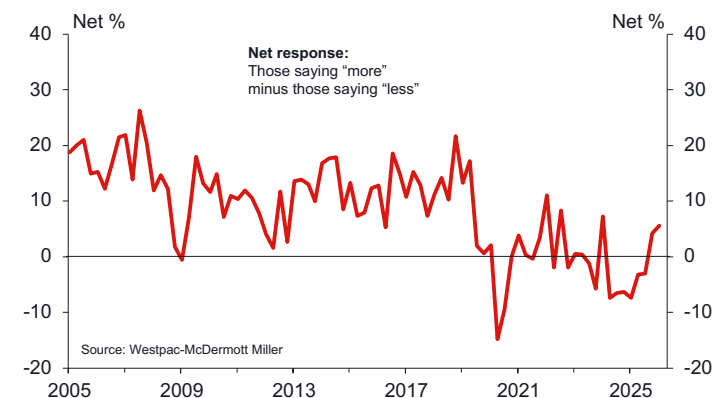
Employment confidence

- The Westpac-McDermott Miller employment confidence survey for the March quarter showed a modest improvement in households' perceptions about the jobs market. The Employment Confidence Index rose by 1.8 points to 95.4, the highest reading since early 2024. However, it remains only slightly above the lows seen after the first Covid lockdown in 2020.
- Perceptions about current job opportunities improved further in March. However, households were less confident about the outlook for jobs in the year ahead. (The survey was held in early March, at the start of the Iran conflict.)
- Workers' perceptions about their own job security was mildly positive on balance. The improvement was among men and older workers, while younger workers were more circumspect.
- Conditions were seen as mixed across the country. Notably, there was more of an improvement across the North Island this time, though economic conditions in general remain stronger in the South.

Employment confidence and unemployment



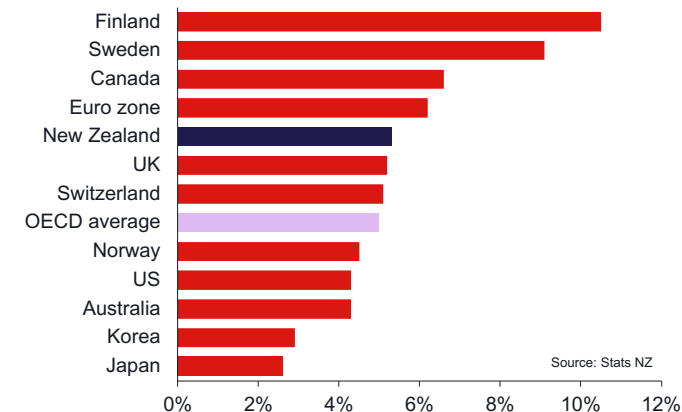
Perceived job security over the coming year



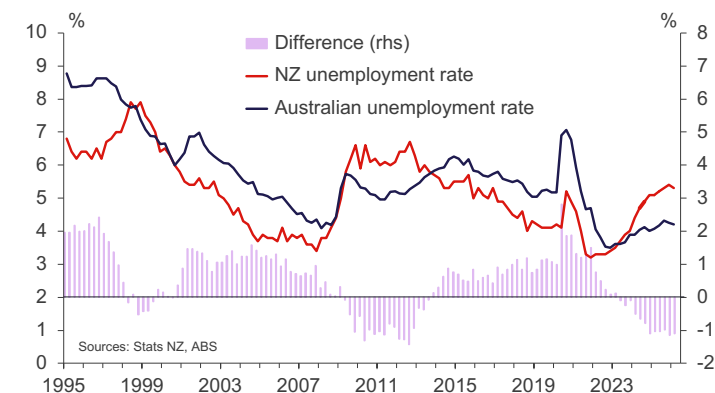
International comparisons

- New Zealand's unemployment rate is the 18th lowest in the OECD (out of 38 countries). This ranking has remained unchanged over the last year or so.
- Notably, New Zealand's unemployment rate has risen substantially above Australia's, whereas historically it has been lower on average. This shift in relative job opportunities has been a key attractor for New Zealanders over the last couple of years – as it was in the early 2010s when the Australian economy was benefiting from a boom in mining construction.
- New Zealand has the 7th highest employment rate in the OECD (down from 6th last quarter). We tend to have high rates of labour force participation for 15-64 year olds, and particularly high participation for the over-65s, as the lack of means testing for NZ Superannuation means there is no financial disincentive to working beyond pension age.

Selected unemployment rates



NZ vs Australian labour markets



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