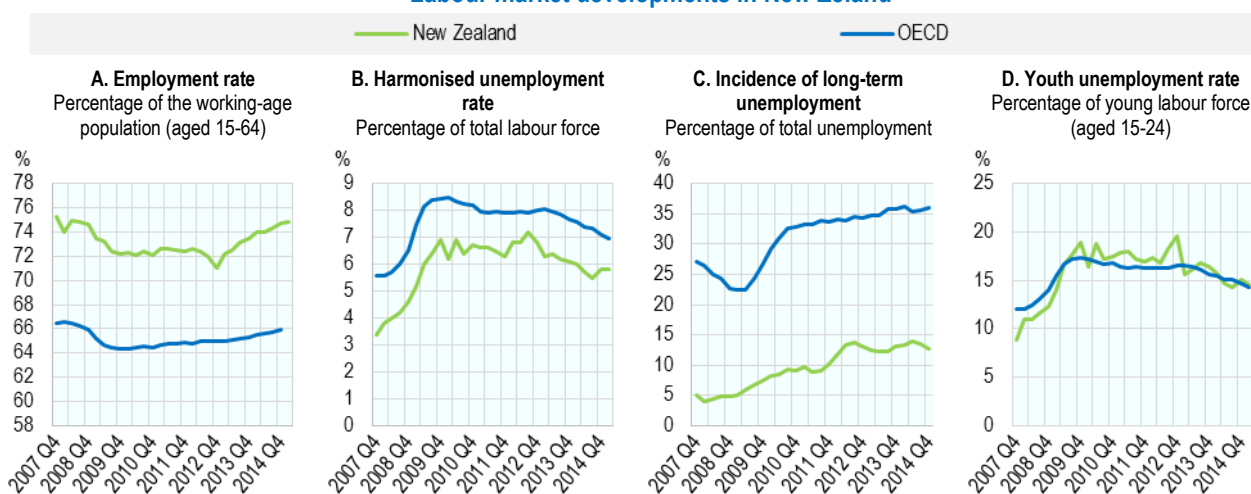


The 2015 edition of the OECD Employment Outlook provides an international assessment of recent labour market trends and short-term prospects with a special focus on statutory minimum wages. It also contains chapters on: skills and wage inequality; the role of activation policies to connect people with jobs; earnings mobility, labour market risk and long-term inequality; and job quality in major emerging economies.

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### Labour market developments in New Zealand



Source: OECD Short-Term Labour Market Statistics database, <http://dx.doi.org/10.1787/data-00046-en>.

#### RECENT LABOUR MARKET TRENDS AND PROSPECTS

Labour market conditions are improving in many OECD countries but the recovery from the recent economic crisis remains very uneven. Employment is still growing too slowly in the OECD area to close the jobs gap induced by the crisis, even by the end of 2016. Consequently, unemployment for the OECD as a whole is projected to continue its slow decline, reaching 6.6% by the end of 2016.

- At 75%, the employment rate in New Zealand is the third highest among OECD countries and has been only marginally affected by the recent economic crisis.
- On the unemployment front, the picture is less rosy. Despite a marked improvement since the height of the crisis, labour market conditions remain far from those that prevailed before the crisis.

- The harmonised unemployment rate stands at 6%, almost twice as high as its pre-crisis level. Although the rate is still low relative to the OECD average, New Zealand is no longer among the best performing countries in the OECD area.
- In addition, unemployment spells are lengthening: about 13% of the unemployed have been looking for work longer than one year, compared with just 5% at the onset of the crisis.
- Youth are one group that has been badly affected by the crisis in New Zealand. Despite recent improvements, the youth unemployment rate now stands near the OECD average of 15%, up from just 9% in Q4 2007 but still 3 percentage points below the OECD average.
- Real hourly wages have fallen markedly over the past five years. This is likely to have contributed to reducing job losses in the downturn and promoting employment growth in the recovery.

However, it has also created hardship for the affected workers.

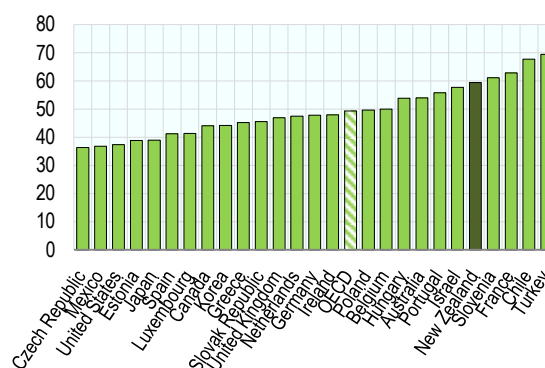
## MINIMUM WAGES

A growing majority of countries use minimum wages as a tool to raise wages at the bottom of the wage distribution and to prevent workers' families from falling into poverty. The effectiveness of these policies depends upon the level of the minimum wage, which could lead to job losses if set too high, and how much minimum-wage workers receive after taxes and benefits.

- At 60%, the minimum-to-median wage ratio in New Zealand is among the highest among OECD countries with a minimum wage.
- New Zealand abolished the sub-minimum wage applicable to 16-17-year-old youth in 2008, replacing it with a new entrants wage. As employers largely ignored the new entrants wage, this translated in a 28% rise in the minimum wage for this age group.
- Research has found that this minimum wage increase accounted for approximately 20-40% of the fall in the proportion of 16-17-year olds in employment by 2010. Negative employment effects were observed mostly for students who stand to benefit from combining work and studies.
- Further changes in 2013 extended the applicability of sub-minima to new entrants and introduced training wages – sub-minima paid to employees, 16 and older who are required to undertake industry training. An evaluation of the effects of this latest reform on youth and student work would be desirable.

## Minimum wage

Minimum wages as a percent of full-time median earnings, 2013



Note: For **Germany**, the data refer to 2015 (projections for median earnings).

Source: OECD Employment Outlook 2015, Chapter 1.

## ACTIVATION POLICIES FOR MORE INCLUSIVE LABOUR MARKETS

Effective activation policies help connect unemployed and inactive people with jobs. To do this, they need to strengthen the motivation and employability of jobseekers while improving their job opportunities. These elements need to be managed by strong labour market institutions and policies, which are the keystone of any successful activation strategy.

- New Zealand has plans to strengthen the recent welfare reform by following up people going off benefit to ensure satisfactory outcomes. More generally, social spending needs to be focused on lifting the long-term outcomes of the disadvantaged, including by improving coordination across the public sector.
- Making labour market more inclusive would also require an increase in welfare benefits for beneficiary households with children, and stepping-up of job-search and activation investments, especially for jobseeker beneficiaries who are social housing tenants.
- Incentives to work more than 20 hours a week could be strengthened, particularly for those on low incomes, by reviewing benefit abatement rates and childcare support.

**Contacts:** Division for Employment Analysis & Policy, Directorate for Employment, Labour and Social Affairs **Mark Keese** (+33 1 45 24 87 94; mark.keese@oecd.org) or **Glenda Quintini** (+33 1 45 24 91 94; glenda.quintini@oecd.org).