How does NEW ZEALAND compare?

The digital revolution, globalisation and demographic changes are transforming labour markets at a time when policy makers are also struggling with slow productivity and wage growth and high levels of income inequality. The new OECD Jobs Strategy provides a comprehensive framework and policy recommendations to help countries address these challenges. It goes well beyond job quantity and considers job quality and inclusiveness as central policy priorities, while emphasising the importance of resilience and adaptability for good economic and labour market performance in a rapidly changing world of work.

Dashboard of labour market performance for New Zealand

Notes:
- Employment rate: share of working age population (20-64 years) in employment (%).
- Broad labour underutilisation: Share of inactive, unemployed or involuntary part-timers (15-64) in population (%), excluding youth (15-29) in education and not in employment (%).
- Earnings quality: Gross hourly earnings in PPP-adjusted USD adjusted for inequality.
- Labour market insecurity: Expected monetary loss associated with the risk of becoming unemployed as a share of previous earnings.
- Job strain: Percentage of workers in jobs with a combination of high job demands and few job resources to meet those demands.
- Low-income rate: Share of working-age persons living with less than 50% of median equivalised household disposable income.
- Gender labour income gap: Difference between per capita annual earnings of men and women (% of per capita earnings of men).
- Employment gap for disadvantaged groups: Average difference in the prime-age men’s employment rate and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities; % of the prime-age men’s rate).

ASSESSING JOB QUANTITY, QUALITY AND LABOUR MARKET INCLUSIVENESS

The new OECD Jobs Strategy presents a dashboard of labour market performance that provides a comprehensive overview of the strengths and weaknesses of different national labour markets, going well beyond the standard measures of employment and unemployment rates. These include measures of job quantity (employment, unemployment and broad underemployment), job quality (pay, labour market security, working environment) and labour market inclusiveness (income equality, gender equality, employment access for potentially disadvantaged groups). Some countries score well on most or all indicators, implying that there are no hard trade-offs that prevent countries from performing well in all areas.

- New Zealand scores above the OECD average on all key measures of labour market quantity, quality and inclusiveness. This performance is underpinned by a flexible labour market, good governance and policy settings, a stable macroeconomy and a high-quality education system. The unemployment rate and labour...
underutilisation are low by international comparison, but both remain higher than prior to the global financial crisis.

- Earnings are held back by weak labour productivity (see below). Labour market insecurity is low due to the comparatively small risk of becoming unemployed and short expected duration of unemployment. However, displaced workers bear the brunt of costs as there is no public unemployment insurance.
- Labour market inclusiveness is good, with relatively low dispersion of market wages. Strong employment outcomes among older workers, immigrants and people with disabilities contribute to a small employment gap for disadvantaged groups. Employment rates for women are well above the OECD average, although mothers with young children have lower employment rates and women are also more likely to work part-time than in most OECD countries. Data are unavailable for the average gender labour income gap, but the median gender labour earnings gap, at 7.2%, is well below the OECD average of 13.9%.

**FRAMEWORK CONDITIONS FOR RESILIENCE AND ADAPTABILITY**

Labour market resilience and adaptability are important to absorb and adjust to economic shocks and make the most of new opportunities. Resilience is crucial to limit the short-term costs of economic downturns. Labour productivity is a key pre-condition for high growth of output, employment and wages and central to long-term growth in living standards. Finally, skills are key to improving workers’ productivity and wages and provide an indication of the readiness to respond to future challenges.

- New Zealand scores close to the OECD average in all key indicators of labour market resilience and adaptability. In terms of labour market resilience, over 2000-2016 the effect on unemployment of a decline in GDP has been similar to the average across OECD countries.
- Labour productivity has failed to catch up with leading OECD countries, despite generally beneficial policy settings. Poor labour productivity can be traced to a lack of international connection and agglomeration, high rates of qualification and skills mismatch, muted competitive pressures, and low rates of capital investment and research and development activity.
- Although the share of low-performing students is smaller than the OECD average, Maori and Pasifika achievement remains below that of the rest of the population. The influence of socio-economic background on educational outcomes is higher than in many countries. Weakness in mathematics teaching and variability in students’ exposure to mathematics undermine the acquisition of core skills needed in some higher-skilled fields of work.

**Framework conditions for New Zealand**

<table>
<thead>
<tr>
<th>Resilience</th>
<th>Bottom OECD performer</th>
<th>Top OECD performer</th>
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<tbody>
<tr>
<td>Unemployment cost of a decline in GDP (2000-16)</td>
<td>Spain: 0.9 pp</td>
<td>Luxembourg: 0.1 pp</td>
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<tr>
<td>Labour productivity growth (2010-16)</td>
<td>Greece: -1.0%</td>
<td>Ireland: 5.5%</td>
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<tr>
<td>Share of low-performing students (2015)</td>
<td>Mexico: 73.2%</td>
<td>OECD: 31.3%</td>
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Notes: Resilience: average increase in unemployment rate over 3 years after a negative shock to GDP of 1% (2000-16); Labour productivity growth: annual average productivity growth (2010-16), measured in per worker terms. Share of low performing students: Share of 15-year-olds not in secondary school or scoring below Level 2 in PISA (%) (2015).